



CITY OF JACKSON, MISSISSIPPI

C. A. F. R.

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For Year Ended September 30, 2006



**Prepared by: Department of Administration
Finance Division**

**CITY OF JACKSON
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 YEAR ENDED SEPTEMBER 30, 2006**

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August 31, 2007

**Honorable Frank E. Melton, Members of the City Council, and
Citizens of the City of Jackson, Mississippi:**

A requirement of Mississippi law is that local governments annually publish audited financial statements. Accordingly, the Comprehensive Annual Financial Report (CAFR) for the fiscal year ended September 30, 2006 for the City of Jackson, MS is submitted herewith.

An unqualified opinion on the financial statements of the City of Jackson, MS has been issued by Bruno & Tervalon LLP, CPA's and Smith Turner & Reeves P A, CPA's for the year ended September 30, 2006. The Independent Auditors' Report is included in the front of the financial section of the CAFR. The City of Jackson is also required to have an audit performed in compliance with the Single Audit Act of 1984 regarding grants received from the federal government. This report is available under separate cover.

The dedicated and professional staff of the Finance Division, Department of Administration, prepared this report in accordance with Generally Accepted Accounting Principles (GAAP). We maintain that the data is accurate in all material aspects and is presented in a manner designed to set forth fairly the financial activities of the various funds of the local government. The responsibility for the accuracy of the data and the fairness and completeness of the presentation, including any disclosures necessary to enable the reader to gain an understanding of the fiscal affairs of the City, is entrusted to the administration of the local government. We further assert that the internal controls implemented provide reasonable assurance that the financial statements are free of any material misstatements.

All of the funds and account groups of the City of Jackson, MS, as well as the Jackson Redevelopment Authority (JRA), the only component unit of the city, and enterprise operations are included in the 2006 CAFR. JRA is presented as a proprietary fund type within the CAFR because the City exercises significant oversight responsibility. The approval of JRA's administrative operating costs and appointments to its Board of Commissioners are authorized by the City's governing body. Additionally, JRA accounts for separate funds and maintains revenues sufficient to meet their operating costs, debt service and system replacement and maintenance needs for their parking garages and other urban renewal projects.

Four Enterprise Funds, which provide a variety of services on a fee-for-services basis, are among those funds whose financial operations are included in the CAFR. These Enterprise Funds are the Water/Sewage Disposal System, Madison Sewage Disposal System, Transportation, and Sanitation and Recycling.

Organizationally, the 2006 CAFR provides information in three major sections: Introductory, Financial, and Statistical. The Introductory Section encompasses the Letter of Transmittal, the Organizational Chart of the Executive Branch of the City of Jackson, MS, a list of principal elected and appointed officials, and the 2005 Certificate of Achievement for Excellence in Financial Reporting which was awarded to the City by the Government Finance Officers Association. The Financial Section consists of the Independent Auditors' Report, the Basic Financial Statements, and the various individual fund and account group financial statements and schedules. Additionally, a narrative introduction, overview, and analysis are provided in the form of Management's Discussion and Analysis (MD&A). We recommend that the MD&A on pages 3-11 be carefully examined by the reader to provide a more concise picture of the financial position of the City.

DESCRIPTION OF CITY OF JACKSON, MS

Historical Background

The City of Jackson, MS was founded in 1821 at the site of a trading post that was situated on a "high and handsome bluff" on the west bank of the Pearl River, which is located in the central region of the state. It is said that the trading post was operated by a French-Canadian trader named Louis LeFleur, who gave the town its original name of LeFleur's Bluff. The Mississippi Legislature wanted the seat of government moved out of the Natchez area and into a more central location. Thomas Hinds, James Patton and William Lattimore were then commissioned to locate the ideal site for the state capital. Their report to the General Assembly was that LeFleur's Bluff had "beautiful and healthful surroundings, good water, abundant timber, navigable waters, and nearness to the Natchez trace." A legislative act dated November 28, 1821 authorized the location to be the permanent seat of government and that it would be named Jackson in honor of Major General Andrew Jackson who later would become the seventh president of the United States. A \$3,500 contract was let to build Mississippi's first capitol, a two-story brick structure 40 feet by 30 feet, where the opening session was held on December 23, 1822. A second capitol building, popularly known as the "Old Capitol," was completed in 1840 and remained in use until 1903. The building, restored in 1961, has become Mississippi's Historical Museum. The New Capitol building, a magnificent structure patterned after the National Capitol, was completed in 1903.

During the Civil War, the town was ravaged and burned three times by Union troops under the command of General William Tecumseh Sherman. The destruction prompted the unwelcome nickname of "Chimneyville." Although less than 8,000 people lived in Jackson at the turn of the century, its population began accelerating rapidly after 1900.

Jackson Today

Presently, Jackson has 184,256 citizens within its radius of 102.59 square miles. Since 1985, the City of Jackson, MS operates under the mayor-council form of government. Prior to 1985, the commission form of government, which included a mayor and two commissioners elected at-large, was in place. Currently, the municipal government is comprised of the mayor, who is elected at large, and seven council members, who are elected by ward. In June 2005, the City elected Frank E. Melton as its mayor. The mayor and council members, who have policy-making and legislative authority, serve four-year terms. The Mayor appoints, and the City Council approves, the Chief Administrative Officer, City Attorney, and eight department heads. City leaders are committed to ensuring that the municipality has a healthy financial outlook while providing essential services.

A comprehensive range of municipal services including public safety, street maintenance, water, sewer, and sanitation services, social programs, recreation activities, cultural events and general administration are provided to Jackson's citizens. These services are provided in the context of the broad public policy initiatives as determined by the elected officials of Jackson, MS. Youth and Education, Crime Prevention, Neighborhood Enhancement, Economic Development, Changes in City Government, Quality of Life, and Infrastructure and Transportation were the policy initiatives for FY 2006.

The City of Jackson, MS is required to submit its municipal budget on an annual basis to the City Council for adoption on or before the fifteenth day of the last month in the fiscal year. A seven phase Performance Based Budget process, which closely links policy initiatives, services, and available resources, is utilized to develop the budget. As the primary financial planning and control document, the budget provides the foundation for City operations. The budget is crafted to include expenditures by fund: General, Special Revenue, Debt Service, Proprietary, Trust, and Capital; by department: Administration, General Government, Human & Cultural, Parks & Recreation, Police, Fire, Personnel, Public Works, and Planning; and by category: Personal Services, Supplies and Material, Other Services and Charges, and Capital Outlay. General Property Taxes, Licenses and Permits, Fines and Forfeitures, and Intergovernmental, Admissions, Fees, Rentals, Interest, Other Revenues, and Operating Transfers are the categories that comprise the revenue budget. During the fiscal year, department heads may transfer resources within a department by following established guidelines. These transfers, along with other budget adjustments, are incorporated into Budget Revisions that must be approved by the City Council. The Executive Branch is afforded the opportunity to submit a maximum of three Budget Revisions to the City Council for approval within the fiscal year.

ECONOMIC OUTLOOK

The City is the seat of government for the State of Mississippi and home to a diverse economy. In addition to governmental services, major industries located within the city limits or in close proximity include the Nissan auto plant and manufacturers of power, metal fabrication, airplane parts, and machine parts and engines. Jackson is also the site of the largest financial institutions in the state. Numerous healthcare facilities, including the state's only medical school, pepper the city's landscape, providing employment to more than 14,000 professionals and staff.

As the population, educational, cultural, medical, and governmental center of the state, the Jackson metropolitan surround area has a relatively stable unemployment rate of 7.2 percent with an employed labor force of 78,610. This unemployment rate compares favorably to the state's overall unemployment rate of 8.0 percent. Over the previous years, the unemployment rate has ranged from a high of 7.4 percent to a low of 5.2 percent for 2006.

Jackson, MS, however, is highly dependent upon the public sector as an economic engine. While public sector employment is generally more stable than private sector employment, the spin-off businesses and entrepreneurial opportunities that are needed for sustained growth is not generated at the desired level. Thus, the economic development efforts must look toward business-government partnerships as a part of the solution. Towards that end, Jackson is poised to realize a number of developments of mixed use facilities in the immediate future.

The City has also begun to benefit from a variety of downtown revitalization efforts. These efforts include a recently renovated multi-modal transportation center, completion of a major portion of a parkway project to connect downtown to Jackson State University, and creation of an entertainment district in and around Farish Street, the oldest African American nationally designated historic district. Occupancy in the downtown area is at 93 percent and is expected to remain stable. The high percentage of college-educated residents who reside in Jackson is a positive trend that can further the City's efforts to becoming a dynamic urban center.

The State of Mississippi's 7 percent sales tax remains constant, as does the monthly remittance of 18.5% of collections to the City. Jackson property owners pay property taxes for county, city, and school totaling \$170.85 per \$1000 of assessed value. The assessment rate is 10 percent for residential property, 15 percent for other real property and 30 percent for personal property. There is no local income tax in Jackson.

FINANCIAL OUTLOOK

The City's financial stability is evidenced by the general fund reserve, fund balance reserve policy, bond ratings and other fiscal determinants. An Unrestricted General Fund Reserve policy that is within range of the level cited by GFOA recommended practice has been adopted by the City Council. The City's fund balance reserve amounted to 6.5 percent of the adopted General Fund operating revenues for FY 06 with incremental increases scheduled such that by FY 08, the fund balance reserve will be 7.5 percent of the adopted General Fund operating revenues.

The General fund balance available for future appropriation is \$12,041,056 million, which includes \$7,569,230 million attributable to the City's General Fund reserve policy. An additional \$3,622,004 million is reserved for inventories and state tort claims.

Long range financial planning is essential to the continued fiscal constancy of this local government unit. In August 2003, a Multi-Year Strategic Financial & Management Plan was prepared for the City of Jackson, Mississippi for FY 03 through FY 07 by Public

Financial Management and the Malachi Group. This document includes critical sections that detail potential fiscal gap projections and management initiative options to ameliorate the fiscal gap projects. The Plan serves as a critical tool to decision makers as allocations of constrained resources are made.

At September 2006, the City remained an excellent place for investors with ratings of A1 on both G.O. bonds and Revenue bonds by Moody's and A+ on G.O. bonds and A on Revenue bonds by Standard & Poor's.

The estimated ratio of net bonded debt to estimated assessed valuations and the amount of bonded debt per capita in FY 2006 are useful gauges of the City's debt position.

POPULATION:	184,256
BONDED DEBT PER CAPITA:	\$ 311
REAL & PERSONAL PROPERTY ASSESSED VALUE:	\$ 908,925,055
NET BONDED DEBT (G.O.):	\$ 57,186,055
RATIO OF DEBT TO ASSESSED VALUE:	6.29%

The following charts reflect activities within the Debt Service Fund and Enterprise Fund:

BONDS OUTSTANDING

Category	Amount Outstanding Sept. 30, 2006	Amount Outstanding Sept. 30, 2005
General Obligation	\$ 58,715	\$ 66,670
Special Obligation Bond – Pension	17,850	22,815
Tax Increment Limited Obligation	405	820
Bonded Debt	\$ 76,970	\$ 90,305
Revenue Bonds	173,700	179,250
Urban Renewal Bonds - Component Unit	32,765	36,900
Total	\$ 283,435	\$ 306,455

ENTERPRISE FUND – CHANGES IN NET ASSETS

Net Income (Loss)	2006	2005
Water/Sewage Disposal Fund	\$ 9,338	\$ 5,368
Madison Sewage Disposal Fund	(116)	(983)
Transportation Fund	882	(424)
Sanitation and Recycling Fund	1,587	17
Total Net Income	\$ 11,691	\$ 3,978

The City of Jackson participates in two retirement systems administered by the Public Employees' Retirement System of Mississippi (PERS). Both systems are defined benefit plans and include a multi employer, cost-sharing pension plan and an agent multi employer pension plan. Substantially, the City of Jackson full-time employees participate in the multi employer cost-sharing pension plan. Benefit and contribution provisions are established by state law and may be amended only by the State of Mississippi Legislature. The employer and employees' contributions represented 11.3% and 7.25% of covered payroll, respectively. The contribution by the employer was raised by statute to 11.3%, effective July 2006.

The City's uniformed police officers and fire fighters employed prior to April 1, 1976 participate in the agent multi employer pension plan. The City's contributions consist principally of allocations of ad valorem taxes derived from a 5.56 millage levy, increased annually not more than one-half mill, to meet the necessary funding level. Employees participating are required to contribute 10% of their annual salary. The financing objective is that contributions will be sufficient to make the plan actuarially sound by July 1, 2020. The ad valorem tax payments to the Public Employees' Retirement System will resume in 2009.

The City exercises an aggressive cash management policy, which involves cash flow analysis, and projection of immediate cash needs. As allowed by state statutes, surplus funds are invested in certificates of deposit with municipal depositories and direct obligations of the U.S. Treasury and collateralized repurchase agreements. Also, all remaining cash is placed in interest-bearing checking accounts. Interest earned for FY 2006 for all funds totaled \$6,488,455.

The City also maintains an Unemployment Compensation Revolving Fund (Trust Fund) established pursuant to state law. In addition to funding all valid claims, the City is required to maintain the balance in the fund at not less than 2% of the first \$7,000 paid each employee during the preceding year. As of September 30, 2006, the required amounts were funded. Claims totaled \$165,473 during fiscal year 2006. Worker's Compensation benefits in the amount of \$1,682,212 were paid to employees during fiscal year 2006.

Additionally, the City maintains the Employees' Group Benefit Fund (Internal Service) to account for the accumulation of revenues, principally contributions from the City of Jackson and employees to be used to fund future liabilities and current payment of employee medical claims and related administration expenditures of the City's group benefit plan. Revenues totaled \$8,623,939 and employee benefit costs were \$11,966,399 during fiscal year 2006. The City's General Fund appropriated \$3,735,000 to the Employees' Group Benefit Fund.

FINANCIAL POLICIES

There are several distinct policies that provide that framework for the financial operations of the City. One such policy is the commitment to conservatism by the Executive Branch in projecting its annual revenues. This policy provides a safeguard to drastic reductions in a given budget cycle in the event of under budgeted or unbudgeted costs. The City of Jackson, MS also has a policy to carefully allocate one time revenues such that operating expenses are not increased.

SELECT ACCOMPLISHMENTS

The Public Works Department has earned accreditation by the American Public Works Association, becoming the first agency in the State of Mississippi to be accredited. The City becomes the twenty-sixth public agency in the United States and Canada to achieve accreditation status.

The American Public Works Association accreditation program recognizes those public agencies that exceed the requirements of the management practices established nationally in the public works industry. On a daily basis, accredited agencies meet or exceed the standards of performance in areas such as solid waste management, street/sewer repair and maintenance, engineering, building maintenance and vehicle maintenance.

FUTURE INITIATIVES

The City will issue \$65,000,000 in bonds to construct the Jackson Convention Center. The Convention Center will be constructed adjacent to and integrated with the Telecommunication Center, a state of art telecommunication training facility, which opened for business in January 2006.

AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Jackson, Mississippi, for its comprehensive annual financial report for the fiscal year ended September 30, 2005. This was the twenty fourth consecutive year that the City of Jackson has received this prestigious award.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement Program requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

ACKNOWLEDGMENTS

The staff of the Department of Administration, and specifically, the Finance Division, has my appreciation for their dedication and diligence in the preparation of this report. I further thank the Office of the Mayor, Office of the Chief Administrative Officer, and the City Council for their interest and support.

Respectfully submitted,

A handwritten signature in black ink that reads "Rick Hill". The signature is written in a cursive, slightly stylized font.

Rick Hill, Director

Department of Administration

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Jackson
Mississippi

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2005

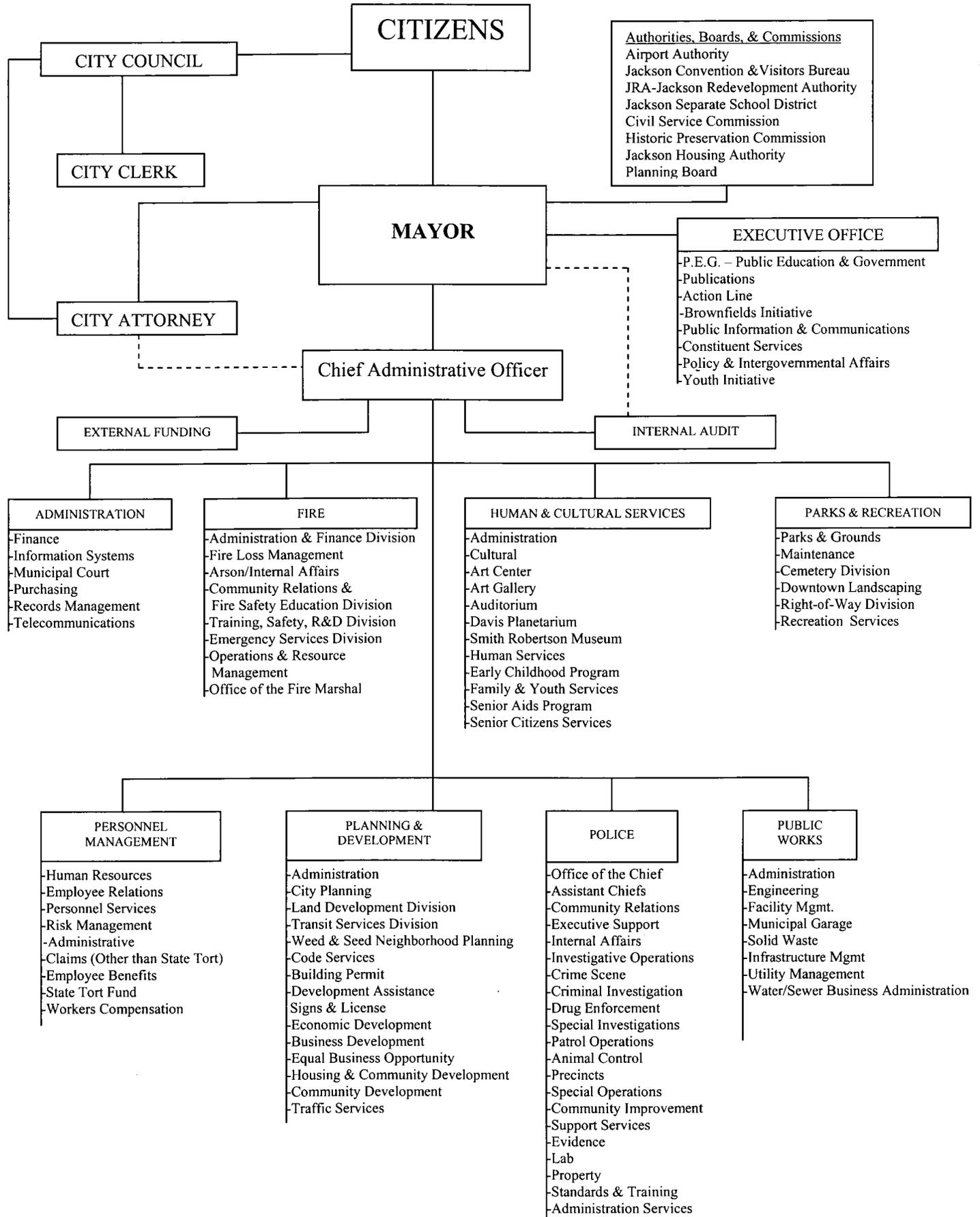
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

CITY OF JACKSON ORGANIZATIONAL CHART



CITY OF JACKSON
MAYOR, CITY COUNCIL AND CITY OFFICIALS
SEPTEMBER 30, 2006

EXECUTIVE

Frank E. Melton
MAYOR

LEGISLATIVE

CITY COUNCIL

Ben Allen
Ward 1
President of Council

Leslie McLemore
Ward 2

Kenneth I. Stokes
Ward 3

Frank Bluntson
Ward
Vice-President
of Council

Charles Tillman
Ward 5

Marshand K. Crisler
Ward 6

Margaret C. Barrett-Simon
Ward 7

EXECUTIVE BRANCH

Chief of Staff
Marcus Ward

Chief Administrative Officer
Robert Walker

City Clerk
Cedric Morgan

Chief of Police
Interim Fire Chief
Director of Public Works
Interim Director of Planning and Development
Interim Director of Human and Cultural Services
Director of Parks and Recreation
Director of Personnel Management
Director of Administration
Director of Action Line
Director of Internal Audit
City Attorney

Shirlene Anderson
Todd Chandler
Thelman Boyd
Carl Allen
Michael Raff
Ramie Ford
Wendy Crumpton
Peyton Prospere
Andy Boone
Norby Harris
Sarah O'Reilly-Evans

FINANCIAL SECTION

The Honorable Mayor Frank E. Melton
and Honorable Members of the City Council
City of Jackson, Mississippi

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Jackson, Mississippi (the City) as of and for the year ended September 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Jackson, Mississippi's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the component units of the City as follows: Jackson Redevelopment Authority which statements reflect assets and revenues of 14% and 8%, respectively, of the business-type activities funds. Those financial statements were audited by other auditors, whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for this component unit, is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of September 30, 2006, and the respective changes in financial position, budgetary comparison of the General Fund and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 29, 2007, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages 3 through 11 are not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the City of Jackson, Mississippi. The combining and individual nonmajor fund financial statements and schedules and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we express no opinion on them.

Smith, Turner & Reeves P.A.

Bruno & Tervalon LLP

Jackson, Mississippi
August 29, 2007

CITY OF JACKSON, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS

As financial management of the City of Jackson, we offer readers of the City of Jackson's financial statements this narrative overview and analysis of the financial activities of the City of Jackson for the fiscal year ended September 30, 2006. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i-viii of this report.

Financial Highlights

- The assets of the City of Jackson exceeded its liabilities at the close of the most recent fiscal year by \$439.4 million (*net assets*). Of this amount, there is \$127.9 million in unrestricted net assets, which may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$42 million.
- As of the close of the current fiscal year, the City of Jackson's governmental funds reported *combined* ending fund balances of \$34 million, a decrease of \$8.1 million in comparison with the prior year. Approximately eighty-eight (85) percent of this total amount is \$29 million. \$12 million is available for spending at the government's discretion (*unreserved fund balance*) and \$17 million is available for capital projects.
- At the end of the current fiscal year unreserved fund balance for the general fund was \$12 million, or 11.5 percent of total general fund expenditures.
- The City of Jackson's total debt decreased by \$18.5 million (5.7 percent) during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Jackson's basic financial statements. The City of Jackson's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Jackson's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the City of Jackson's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Jackson is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Jackson that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Jackson include general government, public safety, public works, human & cultural services, employee benefits, and interest on long term debt. The business-type activities of the City of Jackson include water/sewer, transportation and sanitation.

The government-wide financial statements include the City of Jackson itself (known as the *primary government*), and a legally separate redevelopment authority for which the City of Jackson is financially accountable. Financial information for this *component unit* is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 12-13 of this report.

CITY OF JACKSON, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Jackson, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Jackson can be divided into two categories: governmental funds and proprietary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Jackson maintains fifteen (15) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Debt Service Fund, Improvement Fund, 1998 General Obligation Bond Fund, and 2003 General Obligation Bond Fund, all of which are considered to be major funds. Data from the other ten (10) governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City of Jackson adopts an annual budget for all of its funds. A budgetary comparison statement has been provided to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 14-23 of this report.

Proprietary funds. The City of Jackson maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Jackson uses enterprise funds to account for its Water/Sewage Disposal System Fund, Madison Sewage Disposal System Funds, Transportation Fund and Sanitation Funds. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City of Jackson's various functions. The City of Jackson uses an Internal Service Fund to account for its Employee Group Health Benefit Fund. Because these services predominantly benefit governmental rather than business-type functions, it has been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water/Sewage Disposal System Fund, which is considered to be a major fund of the City of Jackson. The Internal Service Fund is presented in the Proprietary Fund financial statements as governmental activities.

The basic proprietary fund financial statements can be found on pages 24-28 of this report.

Fiduciary funds. Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support City programs. The function of the City's principal trust fund is discussed in Note 4.A.2. The reporting focus is on net assets and changes in net assets and are reported using accounting principles similar to proprietary funds. The purpose of the City's Agency Funds is to collect and remit to the related organizations the proceeds of a special sales tax received from the State.

The basic fiduciary fund financial statements can be found on pages 29-30 of this report.

**CITY OF JACKSON, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The notes to the financial statements can be found on pages 31-71 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Jackson's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on page 72 of this report.

The combining statements referred to earlier in connection with non-major governmental funds and non-major proprietary funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 73-92 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Jackson, assets exceeded liabilities by \$439 million at the close of September 30, 2006.

By far the largest portion of the City of Jackson's net assets (73 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City of Jackson uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Jackson's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Jackson's Net Assets (amounts expressed in thousands)						
	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Current and other assets	\$ 108,904	\$ 58,623	\$ 106,204	\$ 152,363	\$ 215,108	\$ 210,986
Capital assets	277,453	251,613	331,868	284,749	609,321	536,362
Total assets	386,357	310,236	438,072	437,112	824,429	747,348
Long-term liabilities outstanding	109,309	120,454	196,355	203,754	305,664	324,208
Other Liabilities	70,956	13,912	8,429	11,762	79,385	25,674
Total Liabilities	180,265	134,366	204,784	215,516	385,049	349,882
Net assets:						
Invested in capital assets, net of related debt	168,144	131,159	135,512	80,995	303,656	212,154
Restricted	4,169	4,296	3,661	3,643	7,830	7,939
Unrestricted	33,779	40,415	94,115	136,958	127,894	177,373
Total net assets	\$ 206,092	\$ 175,870	\$ 233,288	\$ 221,596	\$ 439,380	\$ 397,466

At the end of the current fiscal year, the City of Jackson is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The City of Jackson's total net assets increased by \$41.9 million during the current fiscal year. This increase was a result of federal and state reimbursements for Hurricane Katrina expenses.

Governmental activities. Governmental activities increased the City of Jackson's net assets by \$30 million.

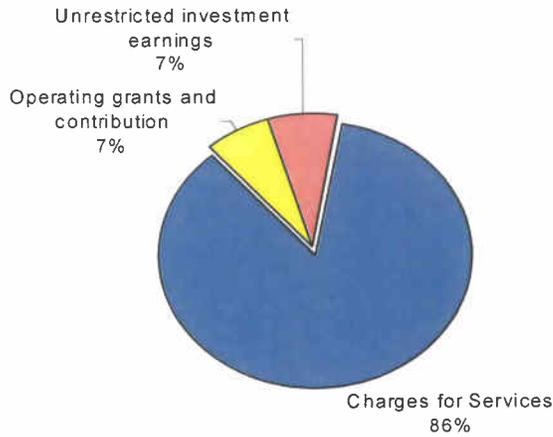
**CITY OF JACKSON, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS**

City of Jackson's Changes in Net Assets (amounts expressed in thousands)						
	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Revenues:						
Program revenues						
Charges for services	\$ 9,321	\$ 23,117	\$ 54,824	\$ 47,462	\$ 64,145	\$ 70,579
Operating grants and contributions	22,969	12,719	4,391	4,137	27,360	16,856
Capital grants and contributions	5,955	2,034	-	-	5,955	2,034
General revenues:						
Property taxes	61,945	59,529	-	-	61,945	59,529
Sales taxes	40,849	36,197	-	-	40,849	36,197
Franchise taxes	10,144	8,818	-	-	10,144	8,818
Other	2,190	4,725	4,670	2,899	6,860	7,624
Total revenues	153,373	147,139	63,885	54,498	217,258	201,637
Expenses:						
General government	29,179	33,311	-	-	29,179	33,311
Public safety	29,109	53,193	-	-	29,109	53,193
Public works	35,819	23,972	-	-	35,819	23,972
Human and cultural services	17,004	14,069	-	-	17,004	14,069
Employee benefits	1,836	3,257	-	-	1,836	3,257
Interest on long-term debt	4,731	9,307	-	-	4,731	9,307
Water/Sewer	-	-	41,184	39,663	41,184	39,663
Transportation	-	-	6,589	6,167	6,589	6,167
Sanitation	-	-	9,893	8,979	9,893	8,979
Total expenses	117,678	137,109	57,666	54,809	175,344	191,918
Increase in net assets before transfers	35,695	10,030	6,219	(311)	41,914	9,719
Transfers	(5,473)	(4,288)	5,473	4,288	-	-
Increase in net assets	30,222	5,742	11,692	3,977	41,914	9,719
Net assets - October 1, 2005	175,870	172,240	221,596	217,620	397,466	389,860
Prior period adjustments	-	(2,112)	-	-	-	(2,112)
Net assets - September 30, 2006	\$ 206,092	\$ 175,870	\$ 233,288	\$ 221,597	\$ 439,380	\$ 397,467

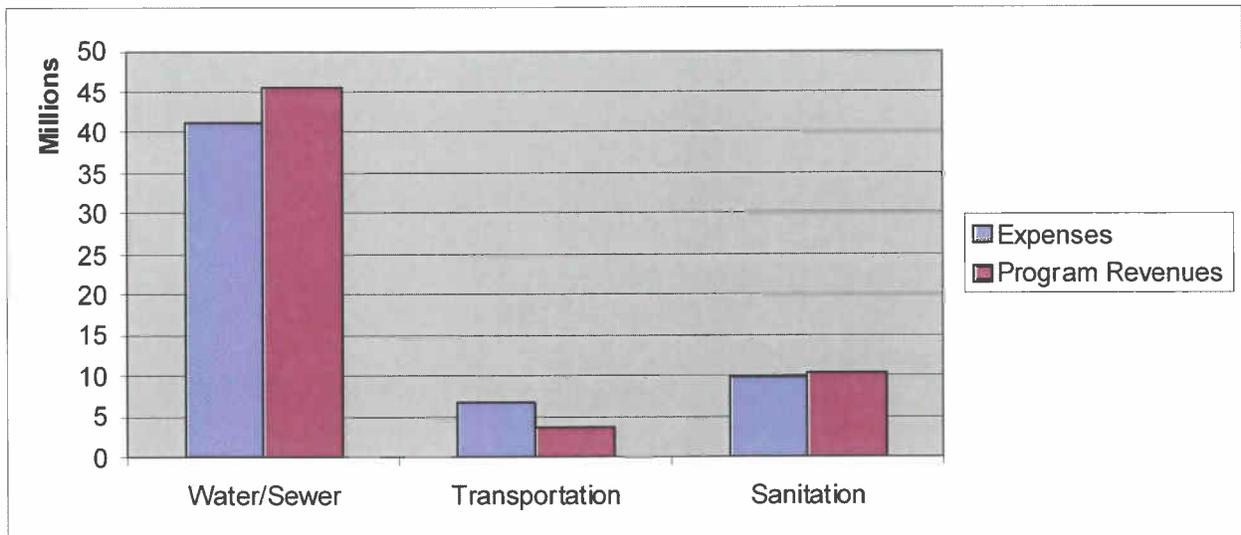
**CITY OF JACKSON, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Business-type activities. Business-type activities increased the City of Jackson's net assets by \$11.7 million.

Expenses and Program Revenues—Business—Type Activities



Revenues by Source- Business – Type Activities



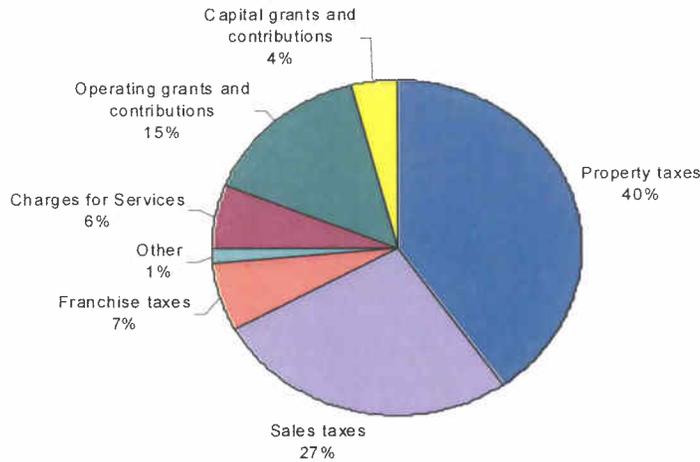
Financial Analysis of the Government's Funds

As noted earlier, the City of Jackson uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

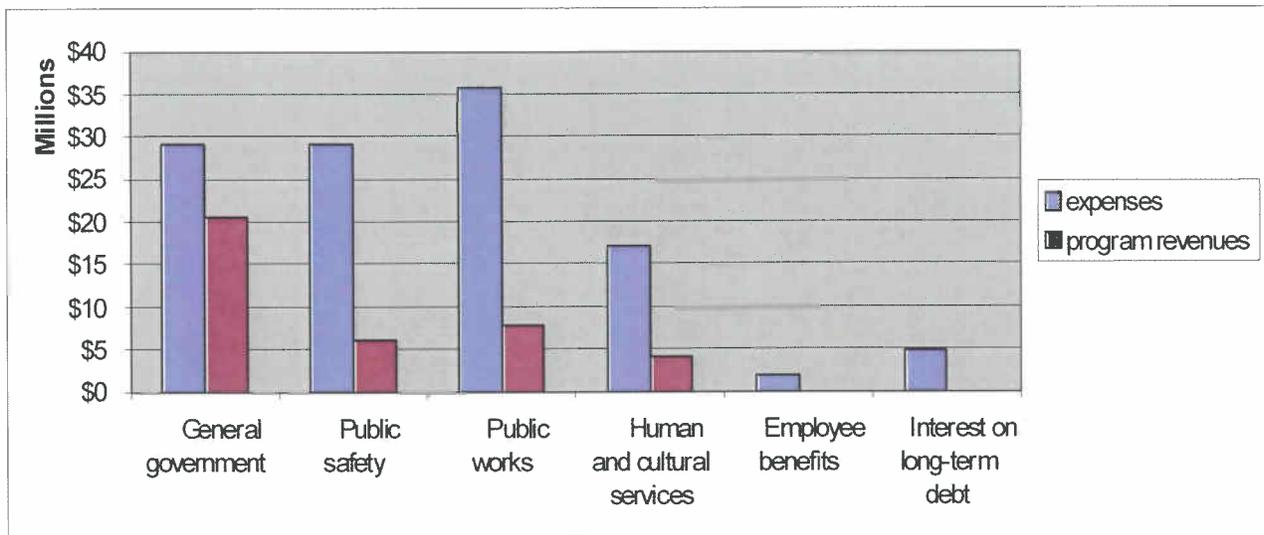
Governmental funds. The focus of the City of Jackson's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Jackson's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

**CITY OF JACKSON, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Expenses and Program Revenues – Governmental Activities



Revenues by source – Governmental Activities



As of the end of the current fiscal year, the City of Jackson's governmental funds reported combined ending fund balances of \$34 million, a decrease of \$8.1 million in comparison with the prior year. Eighty-five (85) percent of this total amount is \$28.9 million of which \$12 million is available for spending at the government's discretion (*unreserved fund balance*) and \$16.9 million is available for capital projects. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed: 1) to pay debt service (\$1.5 million), 2) State tort claims (\$2.6 million), or 3) for other restricted purposes (\$.9 million).

The general fund is the chief operating fund of the City of Jackson. At the end of the current fiscal year, unreserved fund balance of the general fund was \$12 million, while total fund balance reached \$15.7 million. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund

CITY OF JACKSON, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS

balance and total fund balance to total fund expenditures. Unreserved fund balance represents 11.5 percent of total general fund expenditures, while total fund balance represents 15 percent of that same amount.

The fund balance of the City of Jackson's general fund increased by \$2.6 million during the current fiscal year. The increase in fund balance for the general fund was due to \$8.1 million increase in budgeted revenues. The reduction in fund balances for the 1998 GO Bond (\$4,457,685), 2003 GO Bond (\$6,171,581) is the natural spend down of bond proceeds. The reduction (\$420,846) in the fund balance of the disability and relief fund was the spend down of the surplus accumulated in this fund.

The debt service fund has a total fund balance of \$1.5 million, all of which is reserved for the payment of debt service. The net decrease in fund balance during the current year in the debt service fund was \$.2 million.

Proprietary funds. The City of Jackson's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Water/Sewage Disposal System Fund at the end of the year amounted to \$93 million.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were \$14.9 million and can be briefly summarized as follows:

- \$5.6 million increase for Hurricane Katrina expenses
- \$2.1 million increase in medical insurance claims
- \$.8 million increase in fuel and utility cost
- \$5 million increase in Public Safety for new facility and equipment
- \$1.4 million miscellaneous increases throughout all city departments

Significant budgetary variances between the final amended budget and actual results are as follows:

- Of the \$3 million budgeted for state tort fund activity in the general fund, only \$.4 million was expended, resulting in a budget balance of \$2.6 million. The total amount of the state tort fund is budgeted annually which accounts for the budget surplus.
- Actual Public Safety personnel services were \$1.8 million less than the final budget.
- Actual Public Safety capital outlay was \$1.8 million less than the final budget.
- Actual General Government personnel services were \$.9 million less than the final budget.
- Actual contract construction throughout all city departments was \$3.2 million less than the final budget.
- Actual miscellaneous charges throughout all city departments was \$1.2 million less than the final budget.

Capital Asset and Debt Administration

Capital assets. The City of Jackson's investment in capital assets for its governmental and business type activities as of September 30, 2006, amounts to \$609,321 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, park facilities, roads, and bridges. The total increase in the City of Jackson's investment in capital assets for the current fiscal year was 10% (a 5% increase for governmental activities and a 15% increase in business activities).

Major capital asset events during the current fiscal year included the following:

- The increase in total net assets was the continued expenditure of prior bond issue proceeds for expansion and replacement of infrastructure.

**CITY OF JACKSON, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS**

City of Jackson's Capital Assets (net of depreciation) (amounts expressed in thousands)						
	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Land	\$ 14,698	\$ 14,929	\$ 1,838	\$ 1,838	\$ 16,536	\$ 16,767
Building & systems	50,140	22,337	1,777	1,247	51,917	23,584
Machinery and equipment	13,438	9,156	23,090	22,483	36,528	31,639
Infrastructure	162,312	152,635	215,283	200,319	377,595	352,954
Construction in progress	36,865	63,688	89,880	55,668	126,745	119,356
Total	\$ 277,453	\$ 262,745	\$ 331,868	\$ 281,555	\$ 609,321	\$ 544,300

Additional information on the City of Jackson's capital assets can be found in Note 3 on pages 48-51 of this report.

Long-term debt. At the end of the current fiscal year, the City of Jackson had total bonded debt outstanding of \$251 million. Of this amount, \$77 million comprises debt backed by the full faith and credit of the City. The remainder of the City of Jackson's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

City of Jackson's Outstanding Debt General Obligation and Revenue Bonds and Other Loans (amounts expressed in thousands)						
	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
General obligation bonds	\$ 58,715	\$ 66,670	\$ -	\$ -	\$ 58,715	\$ 66,670
Revenue bonds	-	-	173,700	179,250	173,700	179,250
Tax increment bonds	405	820	-	-	405	820
Special obligation bonds	17,850	22,815	-	-	17,850	22,815
Loans and notes	18,705	15,853	19,504	20,778	38,209	36,631
Total	\$ 95,675	\$ 106,158	\$ 193,204	\$ 200,028	\$ 288,879	\$ 306,186

The City of Jackson's total debt decreased by \$17.3 million during the current fiscal year.

The bond ratings services from Standard & Poor's and Moody's establish that bonds marketed by the City have favorable investment qualities. Presently, the city has the following ratings:

	Moody's	Standard & Poor's
Revenue	A1	A
General Obligation Bonds	A1	A+
Urban Renewal Revenue Bonds	A2	A

State statutes limit the amount of general obligation debt a governmental entity may issue to 15 percent and 20 percent of its total assessed valuation. The current debt limitation for the City of Jackson under the 15% rule is \$99 million which is in excess of the City of Jackson's outstanding general obligation debt.

Additional information on the City of Jackson's long-term debt can be found in Note 3 on pages 54-65 of this report.

**CITY OF JACKSON, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Economic Factors and Next Year's Budgets and Rates

- Major revenues sources are expected to remain basically at existing levels.
- Inflationary trends in the region compare favorably to national indices.

All of these factors were considered in preparing the City of Jackson's budget for the 2007 fiscal year.

During the current fiscal year, unreserved fund balance in the general fund increased \$2.5 million.

Requests for Information

This financial report is designed to provide a general overview of the City of Jackson's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Department of Administration, Office of the Director, P.O. Box 17, Jackson, MS, 39205-0017.

**BASIC FINANCIAL
STATEMENTS**

City of Jackson
Statement of Net Assets
As of September 30, 2006

	<u>Primary Government</u>			<u>Component Units</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Jackson Redevelopment Authority</u>
ASSETS				
Cash and cash equivalents	\$ 25,069,087	\$ 11,132,141	\$ 36,201,228	\$ 2,900,263
Investments	5,984,070	2,499,855	8,483,925	-
Accounts receivable, net	438,221	9,347,520	9,785,741	315,166
Other receivable	67,308,667	458,003	67,766,670	18,271,427
Intergovernmental receivable	5,199,596	4,240,126	9,439,722	-
Deferred charges	-	1,301,589	1,301,589	258,013
Internal balances	3,611,487	(3,611,487)	-	-
Inventories	981,484	1,633,603	2,615,087	-
Prepaid Expenses	311,587	-	311,587	-
Accrued interest receivable	-	-	-	279,324
Restricted assets:				
Cash and cash equivalents	-	42,169,163	42,169,163	-
Investments	-	37,033,584	37,033,584	-
Capital assets:				
Land	14,698,209	1,837,999	16,536,208	20,275,626
Buildings	50,139,617	1,776,772	51,916,389	31,246,114
Automotive and equipment	13,438,239	23,089,843	36,528,082	-
Infrastructure	162,311,864	215,283,132	377,594,996	-
Construction in Progress	36,865,485	89,880,281	126,745,766	-
Total assets	<u>386,357,613</u>	<u>438,072,124</u>	<u>824,429,737</u>	<u>73,545,933</u>
LIABILITIES				
Liabilities:				
Accounts Payable	3,007,090	4,539,636	7,546,726	423,271
Accrued interest payable	620,138	219,022	839,160	506,440
Unearned revenue	59,860,651	-	59,860,651	-
Liabilities payable from restricted assets	-	3,660,666	3,660,666	135,416
Other liabilities	7,468,524	9,334	7,477,858	112,001
Noncurrent liabilities:				
Due within one year	20,951,028	7,848,635	28,799,663	4,015,000
Due in more than one year	88,358,122	188,506,819	276,864,941	33,434,811
Total liabilities	<u>180,265,553</u>	<u>204,784,112</u>	<u>385,049,665</u>	<u>38,626,939</u>
NET ASSETS				
Invested in capital assets, net of related debt	168,764,402	135,512,573	304,276,975	33,674,168
Restricted for:				
Debt service	908,511	3,660,666	4,569,177	-
State tort claims	2,640,520	-	2,640,520	-
Urban renewal projects	-	-	-	239,202
Unrestricted	33,778,627	94,114,773	127,893,400	1,005,624
Total net assets	<u>\$ 206,092,060</u>	<u>\$ 233,288,012</u>	<u>\$ 439,380,072</u>	<u>\$ 34,918,994</u>

The notes to the financial statements are an integral part of this statement.

City of Jackson
Statement of Activities
For the year ended September 30, 2006

	Net (Expenses) Revenues and Changes in Net Assets						
	Program Revenues		Primary Government			Component Unit	
	Operating	Capital	Governmental Activities	Business-type Activities	Total	Jackson Redevelopment Authority	
Expenses	Charges for Services	Grants and Contributions	Grants and Contributions	Governmental Activities	Business-type Activities	Total	Total
Primary government:							
Governmental activities:							
General government	\$ 29,179,099	\$ 3,139,377	\$ 17,365,172	\$ -	\$ (8,674,550)	\$ -	\$ (8,674,550)
Public safety	29,108,634	3,002,666	3,002,602	-	(23,103,366)	-	(23,103,366)
Public works	35,818,803	1,698,475	43,647	5,954,753	(28,121,928)	-	(28,121,928)
Human and cultural services	17,003,752	1,480,723	2,557,462	-	(12,965,567)	-	(12,965,567)
Employee benefits	1,836,459	-	-	-	(1,836,459)	-	(1,836,459)
Interest on long-term debt	4,731,300	-	-	-	(4,731,300)	-	(4,731,300)
Total governmental activities	117,678,047	9,321,241	22,968,883	5,954,753	(79,433,170)	-	(79,433,170)
Business-type activities:							
Water/Sewer	41,184,012	45,262,005	233,444	-	-	4,311,437	4,311,437
Transportation	6,589,279	448,167	3,121,212	-	-	(3,019,900)	(3,019,900)
Sanitation	9,892,896	9,113,482	1,036,345	-	-	256,931	256,931
Total business-type activities	57,666,187	54,823,654	4,391,001	-	-	1,548,468	1,548,468
Total primary government	\$ 175,344,234	\$ 64,144,895	\$ 27,359,884	\$ 5,954,753	\$ (79,433,170)	\$ 1,548,468	\$ (77,884,702)
Component units:							
Jackson Redevelopment Authority	\$ 6,008,649	\$ 4,752,019	\$ 1,927,268	\$ 4,496,605	\$ -	\$ -	\$ 5,167,243
Total component units	\$ 6,008,649	\$ 4,752,019	\$ 1,927,268	\$ 4,496,605	\$ -	\$ -	\$ 5,167,243
General revenues:							
Property taxes					61,945,348		61,945,348
Sales taxes					40,848,926		40,848,926
Franchise taxes					10,144,304		10,144,304
Grants and contributions not restricted to specific programs					-		-
Unrestricted investment earnings					1,864,514	4,614,790	6,479,304
Gain on sale of capital assets					300,518	54,896	355,414
Miscellaneous					24,824	-	24,824
Transfers					(5,473,348)	5,473,348	-
Total general revenues, special items, and transfers					109,655,086	10,143,034	119,798,120
Change in net assets					30,221,916	11,691,502	41,913,418
Net assets - beginning					175,870,144	221,596,510	397,466,654
Net assets - ending					\$ 206,092,060	\$ 233,288,012	\$ 439,380,072

The notes to the financial statements are an integral part of this statement.

**City of Jackson
Balance Sheet
Governmental Funds
As of September 30, 2006**

	<u>General Fund</u>	<u>Debt Service</u>	<u>Improvement Fund</u>	<u>1998 GO Bond</u>	<u>2003 GO Bond</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS							
Cash and Cash Equivalents	\$ 11,555,377	\$ 1,645,752	\$ 2,472,679	\$ 3,229,350	\$ 3,702,280	\$ 1,493,861	\$ 24,099,299
Investments	-	-	498,280	-	5,485,790	-	5,984,070
Accounts Receivable, net	-	-	-	-	-	47,499	47,499
Other Receivable	48,153,906	9,990,208	353,466	-	57,439	7,953,355	66,508,374
Intergovernmental Receivable	1,970,959	-	1,679,390	-	-	1,549,247	5,199,596
Special assessment receivable	-	176,677	-	-	-	-	176,677
Due from other funds	3,822,325	-	-	-	-	-	3,822,325
Inventories	981,484	-	-	-	-	-	981,484
Prepaid expenses	218,438	-	-	-	-	-	218,438
Total assets	<u>\$ 66,702,489</u>	<u>\$ 11,812,637</u>	<u>\$ 5,003,815</u>	<u>\$ 3,229,350</u>	<u>\$ 9,245,509</u>	<u>\$ 11,043,962</u>	<u>\$ 107,037,762</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts Payable	\$ 208,641	\$ 172,636	\$ 300,427	\$ 4,700	\$ 648,404	\$ 1,084,924	\$ 2,419,732
Contracts and Retainage Payable	-	-	-	-	-	83,335	83,335
Due to other funds	-	-	-	-	-	210,838	210,838
Deferred revenue	44,087,231	10,111,352	28,824	-	-	8,663,100	62,890,507
Other liabilities	6,743,557	-	621,670	-	-	18,789	7,384,016
Total liabilities	<u>51,039,429</u>	<u>10,283,988</u>	<u>950,921</u>	<u>4,700</u>	<u>648,404</u>	<u>10,060,986</u>	<u>72,988,428</u>
Fund Balances							
Reserved for:							
Inventories	981,484	-	-	-	-	-	981,484
State tort claims	2,640,520	-	-	-	-	-	2,640,520
Debt service	-	1,528,649	-	-	-	-	1,528,649
Unreserved, reported in							
General fund	12,041,056	-	-	-	-	-	12,041,056
Special revenue funds	-	-	4,052,894	-	-	741,366	4,794,260
Capital projects funds	-	-	-	3,224,650	8,597,105	241,610	12,063,365
Total fund balances	<u>15,663,060</u>	<u>1,528,649</u>	<u>4,052,894</u>	<u>3,224,650</u>	<u>8,597,105</u>	<u>982,976</u>	<u>34,049,334</u>
Total liabilities and fund balances	<u>\$ 66,702,489</u>	<u>\$ 11,812,637</u>	<u>\$ 5,003,815</u>	<u>\$ 3,229,350</u>	<u>\$ 9,245,509</u>	<u>\$ 11,043,962</u>	<u>\$ 107,037,762</u>

The notes to the financial statements are an integral part of this statement.

City of Jackson
Reconciliation of Balance Sheet - Governmental Funds
To the Statement of Net Assets
September 30, 2006

Amount reported for governmental activities in the statement of net assets are different because:

Total fund balances - governmental funds	\$ 34,049,334
Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds	277,453,414
Internal service fund is used to account for the group benefit plan. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets	865,129
Receivable recognized on the full accrual basis for the government-wide statements but not on the fund statements	623,617
Revenues that were earned but unavailable to the City and recorded as unearned in the fund statements	3,029,855
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	
Bonds payable	(83,036,364)
Accrued interest on long-term debt	(620,138)
Capital leases	(16,008,622)
Annual and sick leave	(3,656,600)
Claims payable	(2,517,565)
Workers' Compensation Benefits	<u>(4,090,000)</u>
Net assets of governmental activities	<u>\$ 206,092,060</u>

The notes to the financial statements are an integral part of this statement.

City of Jackson
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2006

	<u>General Fund</u>	<u>Debt Service</u>	<u>Improvement Fund</u>	<u>1998 GO Bond</u>	<u>2003 GO Bond</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES							
General property taxes	\$ 41,323,514	\$ 10,092,044	\$ 810,822	\$ -	\$ -	\$ 7,994,694	\$ 60,221,074
Licenses and permits	2,968,587	-	-	-	-	-	2,968,587
Intergovernmental	48,699,042	323,412	5,929,473	-	25,281	8,361,125	63,338,333
Fines and forfeitures	3,202,236	-	-	-	-	-	3,202,236
Special assessments	-	14,072	-	-	-	-	14,072
Admissions, fees, rentals and concessions	2,776,813	-	3,066	-	-	369,719	3,149,598
Interest	800,893	224,848	56,601	204,986	437,408	139,778	1,864,514
Other	14,024,584	691,068	959,678	-	-	274,759	15,950,089
Total revenues	<u>113,795,669</u>	<u>11,345,444</u>	<u>7,759,640</u>	<u>204,986</u>	<u>462,689</u>	<u>17,140,075</u>	<u>150,708,503</u>
EXPENDITURES							
Current:							
General government	28,074,643	-	8,825	-	-	275,719	28,359,187
Public safety	58,583,441	-	-	-	-	400,200	58,983,641
Public works	11,779,786	-	6,601,680	4,662,671	6,634,270	333,416	30,011,823
Human and Cultural services	4,119,074	-	-	-	-	12,430,773	16,549,847
Employee benefits	1,682,212	-	-	-	-	154,247	1,836,459
Miscellaneous	470,960	289,396	-	-	-	-	760,356
Debt Service:							
Principal	-	8,225,000	-	-	-	4,965,000	13,190,000
Interest and service charges	-	3,087,407	-	-	-	1,496,119	4,583,526
Capital outlay:							
General government	-	-	-	-	-	72,442	72,442
Public works	-	-	-	-	-	55,562	55,562
Public safety	-	-	-	-	-	1,663,005	1,663,005
Human and Cultural services	-	-	-	-	-	258,503	258,503
Total expenditures	<u>104,710,116</u>	<u>11,601,803</u>	<u>6,610,505</u>	<u>4,662,671</u>	<u>6,634,270</u>	<u>22,104,986</u>	<u>156,324,351</u>
Excess (deficiency) of revenues over (under) expenditures	<u>9,085,553</u>	<u>(256,359)</u>	<u>1,149,135</u>	<u>(4,457,685)</u>	<u>(6,171,581)</u>	<u>(4,964,911)</u>	<u>(5,615,848)</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	-	-	50,000	-	-	4,066,478	4,116,478
Transfers out	(13,174,876)	-	-	-	-	(268,000)	(13,442,876)
Proceeds from capital leases	6,782,662	-	-	-	-	47,094	6,829,756
Total other financing sources (uses)	<u>(6,392,214)</u>	<u>-</u>	<u>50,000</u>	<u>-</u>	<u>-</u>	<u>3,845,572</u>	<u>(2,496,642)</u>
Net change in fund balances	<u>2,693,339</u>	<u>(256,359)</u>	<u>1,199,135</u>	<u>(4,457,685)</u>	<u>(6,171,581)</u>	<u>(1,119,339)</u>	<u>(8,112,490)</u>
Fund balances at beginning of year	<u>12,969,721</u>	<u>1,785,008</u>	<u>2,853,759</u>	<u>7,682,335</u>	<u>14,768,686</u>	<u>2,102,315</u>	<u>42,161,824</u>
Fund balances at end of year	<u>\$ 15,663,060</u>	<u>\$ 1,528,649</u>	<u>\$ 4,052,894</u>	<u>\$ 3,224,650</u>	<u>\$ 8,597,105</u>	<u>\$ 982,976</u>	<u>\$ 34,049,334</u>

The notes to the financial statements are an integral part of this statement.

City of Jackson
Reconciliation of the Statement of Revenues
Expenditures, and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended September 30, 2006

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances – total governmental funds	\$ (8,112,490)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period	25,957,096
Accrued interest payable not reported in the fund statements	(620,138)
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to Governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance cost, premiums, discounts and similar items when debt is first issued, whereas, these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items	13,190,000
Activities from debt related transactions	
New capital lease proceeds reported in the fund statements	(6,829,756)
Retirement of prior leases	3,476,445
Expenses reported on the statement of activities that do not require current financial resources and therefore not reported as expenditures in the funds	1,960,610
Revenues recognized on the full accrual basis for the government-wide statements but are not recognized on the fund statements	800,294
Internal service fund net activity not reported on the governmental fund statement	<u>399,855</u>
Change in the net assets of governmental activities	<u><u>\$ 30,221,916</u></u>

The notes to the financial statements are an integral part of this statement.

City of Jackson
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended September 30, 2006

	<u>Budget Amount</u>			<u>Variance with Final Budget- positive(negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	
Revenues:				
General property taxes				
Current realty taxes	\$ 22,238,676	\$ 22,762,487	\$ 22,762,487	\$ -
Current personal taxes	12,246,355	10,372,410	10,374,509	2,099
Ad valorem taxes on automobiles	6,098,340	6,521,442	6,521,442	-
Delinquent taxes	120,000	685,115	685,115	-
Interest on current taxes	300,000	520,769	520,769	-
Interest on delinquent taxes	240,000	333,868	333,868	-
Community improvement	75,000	114,994	125,324	10,330
Total general property taxes	<u>41,318,371</u>	<u>41,311,085</u>	<u>41,323,514</u>	<u>12,429</u>
Licenses and permits				
Privilege licenses	410,000	359,194	359,471	277
Building permits	660,800	719,438	707,680	(11,758)
Air conditioning and duct permits	50,000	23,812	24,039	227
Plumbing permits	50,000	42,647	42,855	208
Electric permits	123,000	118,000	118,025	25
Gas Permits	70,000	57,002	57,159	157
Historic preservation application	1,000	969	1,259	290
Housing rehab permits	10,000	12,660	12,685	25
Landscape permits	2,000	968	968	-
Dance hall and other recreational fees	5,500	7,200	7,200	-
Massage parlor and pool hall permits	1,750	-	-	-
Landfill charges	1,100,000	1,509,945	1,509,945	-
Taxicab license fees	2,000	2,364	2,364	-
Sign permits	145,000	31,130	31,130	-
Zoning permits	45,000	29,000	28,915	(85)
Combustible and flammable liquid permits	10,000	14,450	8,825	(5,625)
Fireworks Display Permit	500	150	150	-
Aircraft registration	6,000	2,930	2,930	-
Transit Merchants-Peddlers License	8,000	3,875	3,875	-
Boarding, Lodging-Licenses	1,000	705	705	-
Adult entertainment-and License	40,000	35,292	35,992	700
Special event fee	11,000	5,655	4,955	(700)
Fire inspection permit	-	-	5,460	5,460
Annual vehicle inspecton	4,000	2,000	2,000	-
Total licenses and permits	<u>2,756,550</u>	<u>2,979,386</u>	<u>2,968,587</u>	<u>(10,799)</u>

City of Jackson
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended September 30, 2006

	<u>Budget Amount</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget-postive(negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues (Continued):				
Intergovernmental Revenues:				
State Grants and Shared Revenues:				
Alcohol permits	\$ 260,000	\$ 301,725	\$ 301,725	\$ -
Gasoline Tax	32,000	31,147	31,147	-
Municipal revolving fund	116,000	96,040	96,040	-
State reimb training academy	150,000	84,328	84,328	-
State fire protection	867,985	937,017	937,017	-
Sales tax	36,275,000	37,867,406	37,992,760	125,354
Bus & truck privilege tax	615,000	534,851	570,868	36,017
Wireless radio communication program	84,932	186,874	239,951	53,077
Jackson Convention & Visitors	15,000	13,875	13,875	-
MS-Domestic Violence Grant	-	42,562	42,562	-
Homestead exemption	1,258,250	1,258,250	1,277,261	19,011
Total state grants shared revenues	<u>39,674,167</u>	<u>41,354,075</u>	<u>41,587,534</u>	<u>233,459</u>
Federal and State Grants and Shared Revenues:				
Weapons of Mass Destruction	-	24,536	24,536	-
HITDA Grant	142,611	56,359	34,388	(21,971)
COPS- Universal Hire	1,008,000	1,584,162	1,245,590	(338,572)
Dept of Justice-Weed & Seed	225,000	187,146	189,655	2,509
MDOT Summer Youth reimbursement	30,000	39,000	-	(39,000)
FEMA/MEMA Disaster	-	6,618,209	4,495,914	(2,122,295)
Other shared revenue	-	117,000	117,699	699
Total federal and state shared revenues	<u>1,405,611</u>	<u>8,626,412</u>	<u>6,107,782</u>	<u>(2,518,630)</u>
County Revenues:				
Pro rata road tax	1,000,000	923,980	923,980	-
Smith Robertson Museum	10,000	-	-	-
Prisoners reimbursement	-	315,032	-	(315,032)
Hinds County 911	-	79,746	79,746	-
Total county revenue	<u>1,010,000</u>	<u>1,318,758</u>	<u>1,003,726</u>	<u>(315,032)</u>
Total intergovernmental revenues	<u>42,089,778</u>	<u>51,299,245</u>	<u>48,699,042</u>	<u>(2,600,203)</u>
Fines and Forfeitures:				
Court & misdemeador fines	1,665,878	870,835	899,623	28,788
Vehicle parking fines	175,000	220,502	222,415	1,913
Moving traffic violations	2,529,728	1,280,782	1,284,870	4,088
City court costs	40,000	22,006	22,216	210
Bad check fee and Warrant fee	229,000	194,339	194,423	84
Animal control citations	5,000	1,603	2,003	400
Municipal court computer	25,000	18,989	18,466	(523)
Municipal court drivers impr fee	30,000	30,000	29,530	(470)
Expungement fee	-	-	7,050	7,050
Jackson collection fee	-	-	77,799	77,799
Miscellaneous Court Docket fee	235,200	225,119	103,802	(121,317)
Dropped charge fee	-	-	5,150	5,150
Cash bond - clearing account	-	-	15,221	15,221
Rearraignment fee	-	-	13,616	13,616
Daily storage fee-vehicle	40,000	47,736	47,786	50
Administrative fee - del cases	70,000	137,603	137,644	41
Parking - Boot fee	1,000	1,000	1,102	102
Wrecker fees	150,000	119,825	119,520	(305)
Total fines and forfeitures	<u>5,195,806</u>	<u>3,170,339</u>	<u>3,202,236</u>	<u>31,897</u>

City of Jackson
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended September 30, 2006

	<u>Budget Amount</u>			Variance with Final Budget- positive(negative)
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	
Revenues (Continued):				
Admissions, Fees, Rentals and Concessions:				
Parking meters	\$ 350,000	\$ 175,843	\$ 188,531	\$ 12,688
Municipal Auditorium:				
Rentals	132,800	117,383	114,783	(2,600)
Concessions	4,000	3,351	3,182	(169)
Local record fee	6,000	4,964	5,019	55
Pistol Range rent	1,500	175	175	-
Outdoor adversting	15,000	16,170	15,351	(819)
Fire Water flow test fee	5,000	7,220	1,220	(6,000)
Fire Reports	2,000	2,820	2,745	(75)
Accident report fee	125,000	84,628	84,288	(340)
Background check fee	21,200	14,620	14,275	(345)
Bail bondsman applicant photo	-	-	280	280
Bail bondsman mug shot fee	750	590	655	65
Bail bondsman ID card	600	288	288	-
Fingerprinting	15,285	15,235	15,235	-
Verification of records	35,000	25,569	25,239	(330)
Brady Bill background check fee	-	-	6,060	6,060
Rents & Royalties	25,000	15,727	15,727	-
Telecommunication Franchise Agreement	250,000	153,587	153,587	-
Tower Rentals	1,337,000	1,922,814	1,923,993	1,179
Arts Center:				
Donations	3,000	205	205	-
Admissions, rents and royalties	100	100	8	(92)
Community room rent	16,500	16,008	15,599	(409)
Concessions	500	602	602	-
Planetarium:				
Admissions, Discovery Shop, etc.	175,200	172,806	171,915	(891)
Senior Centers Reservation Fee	15,000	8,878	7,278	(1,600)
Smith Robertson Museum:				
Gift shop	3,300	3,933	3,719	(214)
Donations	-	-	207	207
Admissions, rental	9,500	6,658	6,647	(11)
Total admissions and rentals	<u>2,549,235</u>	<u>2,770,174</u>	<u>2,776,813</u>	<u>6,639</u>
Interest:				
Earned on investments	317,100	734,231	799,562	65,331
Earned on accounts	5,000	1,357	1,331	(26)
Total interest earned	<u>322,100</u>	<u>735,588</u>	<u>800,893</u>	<u>65,305</u>

City of Jackson
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended September 30, 2006

	<u>Budget Amount</u>			Variance with Final Budget- positive(negative)
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	
Revenues (Continued):				
Other Revenues:				
Public utility	\$ 4,900,000	\$ 6,148,371	\$ 6,148,371	\$ -
Franchise cable television	1,621,163	1,398,044	1,398,444	400
Water Sewer Franchise Fee	922,645	922,645	919,257	(3,388)
Nuclear power plant	1,690,000	1,628,723	1,628,723	-
In-lieu-of property tax	235,000	49,509	49,509	-
Sale of cemetery lots	20,000	12,000	12,000	-
Sale of fixed assets	320,000	289,318	299,530	10,212
Small animal control	15,000	3,497	4,435	938
Police-sale of weapons	-	-	3,267	3,267
Parking fee-City employees	6,500	9,795	9,036	(759)
Police	61,921	25,946	23,522	(2,424)
National Police Shooters Championship	88,000	-	(2,275)	(2,275)
Indirect cost	2,350,000	2,359,497	2,359,497	-
Street index books	1,250	57	57	-
Sale of land	-	212,244	601,457	389,213
Sale of wood/timber	300,000	389,213	-	(389,213)
Permit department	86,000	85,028	85,077	49
Rabies vaccination	1,500	1,378	1,378	-
Plumbing exam	100	100	-	(100)
Electrical exam	2,000	1,450	1,450	-
Penalty on demo/grass/weeds	5,000	7,048	7,047	(1)
Cemeteries-openings/closings	25,000	22,425	22,675	250
Site plan review planning	17,000	15,801	14,978	(823)
Cafeteria plan-flexible spending	120,000	109,693	155,330	45,637
Administrative fee-payroll deductions	-	-	712	712
Sale of maps, plans, and specifications	6,500	2,461	2,453	(8)
Traffic	-	-	4,577	4,577
Legal/City Clerk/Finance and Management	26,500	20,325	9,850	(10,475)
Telecommunications	-	-	130	130
Zoning-rear yard variance	-	5,202	5,202	-
Fire department	-	-	1,365	1,365
Sale of CAFR, Budgets & Directories	200	19	19	-
I.D. Badge fee-city employee	-	-	490	490
Abstract fees	-	-	4,395	4,395
Settlement of insurance claim	-	-	31,574	31,574
Proceeds from assets and forfeitures	64,414	23,507	19,475	(4,032)
P E G Revenue	168,739	226,803	153,454	(73,349)
Other	377,500	223,783	48,123	(175,660)
Total other revenues	<u>13,431,932</u>	<u>14,193,882</u>	<u>14,024,584</u>	<u>(169,298)</u>
Total revenues	<u>107,663,772</u>	<u>116,459,699</u>	<u>113,795,669</u>	<u>(2,664,030)</u>

City of Jackson
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended September 30, 2006

	<u>Budget Amount</u>			Variance with Final Budget- positive(negative)
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	
Expenditures:				
Current Operations:				
General Government				
Administration and Intra-governmental				
Personnel services	\$ 9,094,900	\$ 8,553,824	\$ 8,355,016	\$ 198,808
Supplies	976,023	663,931	391,530	272,401
Other services and charges	3,881,863	14,203,975	9,761,663	4,442,312
Capital outlay	1,187,655	1,950,111	1,603,556	346,555
Total Department of Administration	<u>15,140,441</u>	<u>25,371,841</u>	<u>20,111,765</u>	<u>5,260,076</u>
Personnel				
Personnel services	1,130,238	1,064,599	1,040,739	23,860
Supplies	725	4,177	12,527	(8,350)
Other services and charges	1,809,980	486,932	603,316	(116,384)
Capital Outlay	-	11,441	10,892	549
Total Department of Personnel	<u>2,940,943</u>	<u>1,567,149</u>	<u>1,667,474</u>	<u>(100,325)</u>
Planning				
Personnel services	2,387,672	1,887,178	1,799,152	88,026
Supplies	57,408	75,194	56,290	18,904
Other services and charges	3,595,750	4,566,366	4,436,672	129,694
Capital Outlay	1,000	4,305	3,290	1,015
Total Department of Planning	<u>6,041,830</u>	<u>6,533,043</u>	<u>6,295,404</u>	<u>237,639</u>
Total General Government	<u>24,123,214</u>	<u>33,472,033</u>	<u>28,074,643</u>	<u>5,397,390</u>
Department of Human and Cultural Services				
Health and Welfare				
Personnel supplies	972,456	972,456	856,686	115,770
Supplies	52,396	52,396	12,640	39,756
Other services and charges	925,691	943,191	851,665	91,526
Capital outlay	273,706	273,706	258,740	14,966
Total Health and Welfare	<u>2,224,249</u>	<u>2,241,749</u>	<u>1,979,731</u>	<u>262,018</u>
Culture and Recreation				
Personnel services	662,451	652,249	634,194	18,055
Supplies	16,222	63,325	56,874	6,451
Other services and charges	1,810,227	1,431,905	1,375,752	56,153
Capital outlay	45,948	65,815	72,523	(6,708)
Total Culture and Recreation	<u>2,534,848</u>	<u>2,213,294</u>	<u>2,139,343</u>	<u>73,951</u>
Total Department of Human and Cultural Services	<u>4,759,097</u>	<u>4,455,043</u>	<u>4,119,074</u>	<u>335,969</u>
Department of Public Safety				
Personnel services	47,004,442	47,023,942	45,265,832	1,758,110
Supplies	2,375,242	3,509,319	2,822,216	687,103
Other services and charges	4,053,161	4,088,844	3,351,952	736,892
Capital outlay	3,622,064	8,928,418	7,143,441	1,784,977
Total Department of Public Safety	<u>57,054,909</u>	<u>63,550,523</u>	<u>58,583,441</u>	<u>4,967,082</u>

City of Jackson
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended September 30, 2006

	<u>Budget Amount</u>			Variance with Final Budget- positive(negative)
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	
Expenditures (Continued):				
Department of Public Works				
Personnel services	\$ 8,487,034	\$ 7,847,232	\$ 7,742,291	\$ 104,941
Supplies	1,371,888	1,477,960	1,289,131	188,829
Other services and charges	2,279,401	2,355,937	2,043,726	312,211
Capital outlay	481,563	717,698	704,638	13,060
Total Department of Public Works	<u>12,619,886</u>	<u>12,398,827</u>	<u>11,779,786</u>	<u>619,041</u>
Miscellaneous				
Other services and charges	488,911	488,911	470,960	17,951
Total Miscellaneous	<u>488,911</u>	<u>488,911</u>	<u>470,960</u>	<u>17,951</u>
Employee Benefits				
Supplies	71,825	71,825	65,052	6,773
Other services and charges	1,799,275	1,799,275	1,617,160	182,115
Total Employee Benefits	<u>1,871,100</u>	<u>1,871,100</u>	<u>1,682,212</u>	<u>188,888</u>
Total expenditures	<u>100,917,117</u>	<u>116,236,437</u>	<u>104,710,116</u>	<u>11,526,321</u>
Excess(deficiency) of revenues over expenditures	6,746,655	223,262	9,085,553	(8,862,291)
Other Financing Sources(Uses)				
Transfers in	750,000	46,213	-	46,213
Transfers out	(13,656,599)	(14,412,071)	(13,174,876)	(1,237,195)
Transfer out-Component Unit				-
Proceeds from long term debt	1,575,000	6,782,663	6,782,662	1
Total other financing sources(uses)	<u>(11,331,599)</u>	<u>(7,583,195)</u>	<u>(6,392,214)</u>	<u>(1,190,981)</u>
Net change in fund balance	(4,584,944)	(7,359,933)	2,693,339	(10,053,272)
Fund balances at beginning of year	12,969,721	12,969,721	12,969,721	-
Fund balances at end of year	<u>\$ 8,384,777</u>	<u>\$ 5,609,788</u>	<u>\$ 15,663,060</u>	<u>\$ (10,053,272)</u>

The notes to the financial statements are an ingral part of this statement.

City of Jackson
Statement of Net Assets
Proprietary Funds
As of September 30, 2006

	<u>Water/Sewage Disposal System</u>	<u>Nonmajor Enterprise Funds</u>	<u>Totals</u>	<u>Governmental Activities - Internal Service Fund</u>
Assets				
Current Assets:				
Cash and cash equivalents	\$ 10,602,613	\$ 529,528	\$ 11,132,141	\$ 969,788
Accounts Receivable, less allowances	7,319,587	2,027,933	9,347,520	390,722
Investments	2,499,855	-	2,499,855	-
Intergovernmental receivable	-	4,240,126	4,240,126	-
Other receivables	458,003	-	458,003	-
Prepaid expenses	-	-	-	93,149
Due from other funds	1,347,840	-	1,347,840	-
Restricted Assets:				
Cash and cash equivalents	19,133,174	-	19,133,174	-
Inventories	<u>1,633,603</u>	<u>-</u>	<u>1,633,603</u>	<u>-</u>
Accrued Interest	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Current Assets	<u>42,994,675</u>	<u>6,797,587</u>	<u>49,792,262</u>	<u>1,453,659</u>
Noncurrent Assets:				
Restricted Assets:				
Cash and cash equivalents	23,035,989	-	23,035,989	-
Investments	37,033,584	-	37,033,584	-
Deferred charges - bond costs, net of amortization	<u>1,301,589</u>	<u>-</u>	<u>1,301,589</u>	<u>-</u>
Total Noncurrent Assets	<u>61,371,162</u>	<u>-</u>	<u>61,371,162</u>	<u>-</u>
Capital Assets:				
Property, plant and equipment, at cost				
Land	1,387,999	450,000	1,837,999	-
Buildings	43,209	1,733,563	1,776,772	-
Water plant, distribution system and equipment	379,870,887	864,534	380,735,421	-
Automotive and other equipment	<u>10,475,992</u>	<u>12,613,851</u>	<u>23,089,843</u>	<u>-</u>
	391,778,087	15,661,948	407,440,035	-
Less: accumulated depreciation	<u>(154,858,302)</u>	<u>(10,593,987)</u>	<u>(165,452,289)</u>	<u>-</u>
	236,919,785	5,067,961	241,987,746	-
Construction in Progress	<u>89,866,481</u>	<u>13,800</u>	<u>89,880,281</u>	<u>-</u>
Net property, plant and equipment	<u>326,786,266</u>	<u>5,081,761</u>	<u>331,868,027</u>	<u>-</u>
Total Assets	<u>\$ 431,152,103</u>	<u>\$ 11,879,348</u>	<u>\$ 443,031,451</u>	<u>\$ 1,453,659</u>

The notes to the financial statements are an integral part of this statement.

**City of Jackson
Statement of Net Assets
Proprietary Funds
As of September 30, 2006**

	<u>Water/Sewage Disposal System</u>	<u>Nonmajor Enterprise Funds</u>	<u>Totals</u>	<u>Governmental Activities - Internal Service Fund</u>
Liabilities and Fund Equity				
Current Liabilities Payable from Unrestricted Assets:				
Accounts/claims payable	\$ 3,639,771	\$ 899,865	\$ 4,539,636	\$ 588,530
Due to other funds	-	4,959,327	4,959,327	-
Customer deposits	3,660,666	-	3,660,666	-
Other	9,334	-	9,334	-
Current portion of Long-Term Debt:			-	
Lease obligations	73,880	461,024	534,904	-
State Department of Environmental Quality	1,283,731	-	1,283,731	-
Total Current Liabilities Payable from Unrestricted Assets	<u>8,667,382</u>	<u>6,320,216</u>	<u>14,987,598</u>	<u>588,530</u>
Current Liabilities Payable from Restricted Assets:				
Revenue bonds	6,030,000	-	6,030,000	-
Accrued interest payable	219,022	-	219,022	-
Total Current Liabilities Payable from Restricted Assets	<u>6,249,022</u>	<u>-</u>	<u>6,249,022</u>	<u>-</u>
Total Current Liabilities	<u>14,916,404</u>	<u>6,320,216</u>	<u>21,236,620</u>	<u>588,530</u>
Long-Term Debt (less amounts classified as current liabilities):				
Revenue bonds (net of unamortized discount/premium)	170,821,100	-	170,821,100	-
Lease obligation	156,189	688,148	844,337	-
State Department of Environmental Quality	16,841,382	-	16,841,382	-
Total Long-Term Debt	<u>187,818,671</u>	<u>688,148</u>	<u>188,506,819</u>	<u>-</u>
Total Liabilities	<u>202,735,075</u>	<u>7,008,364</u>	<u>209,743,439</u>	<u>588,530</u>
Net Assets				
Invested in capital assets, net of related debt	131,579,984	3,932,589	135,512,573	-
Restricted for debt service	3,660,666	-	3,660,666	-
Unrestricted	93,176,378	938,395	94,114,773	865,129
Total Net Assets	<u>228,417,028</u>	<u>4,870,984</u>	<u>233,288,012</u>	<u>865,129</u>
Total liabilities and net assets	<u>\$ 431,152,103</u>	<u>\$ 11,879,348</u>	<u>\$ 443,031,451</u>	<u>\$ 1,453,659</u>

The notes in the financial statements are an integral part of this statement.

City of Jackson
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended September 30, 2006

	<u>Water/Sewage Disposal System</u>	<u>Nonmajor Enterprise Funds</u>	<u>Total</u>	<u>Governmental Activities - Internal Service Fund</u>
Operating Revenues:				
Sales to customers	\$ 45,262,005	\$ 9,561,649	\$ 54,823,654	\$ -
Contributions	-	-	-	5,505,662
Contributions - City Match	-	-	-	2,860,330
Other revenues	233,444	4,157,557	4,391,001	257,947
Total Operating Revenues	<u>45,495,449</u>	<u>13,719,206</u>	<u>59,214,655</u>	<u>8,623,939</u>
Operating Expenses:				
Personnel services	9,395,914	967,184	10,363,098	-
Supplies	3,418,845	800,084	4,218,929	-
Other services and charges	11,078,627	14,046,590	25,125,217	11,966,399
Depreciation	8,329,182	785,707	9,114,889	-
Total operating expenses	<u>32,222,568</u>	<u>16,599,565</u>	<u>48,822,133</u>	<u>11,966,399</u>
Operating income (loss)	<u>13,272,881</u>	<u>(2,880,359)</u>	<u>10,392,522</u>	<u>(3,342,460)</u>
Nonoperating revenues (expenses):				
Interest revenue	4,586,574	28,216	4,614,790	7,315
Interest and service charges on long-term debt and capitalized lease obligations	(8,645,402)	-	(8,645,402)	-
Gain (loss) on sale of fixed assets	54,896	-	54,896	-
Proceeds from lease	-	-	-	-
Amortization of bond issuance cost	(198,652)	-	(198,652)	-
Total nonoperating revenues (expenses)	<u>(4,202,584)</u>	<u>28,216</u>	<u>(4,174,368)</u>	<u>7,315</u>
Income (loss) before contributions and transfers	<u>9,070,297</u>	<u>(2,852,143)</u>	<u>6,218,154</u>	<u>(3,335,145)</u>
Transfers In:				
General Fund	-	5,205,348	5,205,348	3,735,000
Special Revenue Fund	268,000	-	268,000	-
Total Transfers In	<u>268,000</u>	<u>5,205,348</u>	<u>5,473,348</u>	<u>3,735,000</u>
Change in Net Assets	<u>9,338,297</u>	<u>2,353,205</u>	<u>11,691,502</u>	<u>399,855</u>
Total net assets - beginning	<u>219,078,731</u>	<u>2,517,779</u>	<u>221,596,510</u>	<u>465,274</u>
Total net assets - ending	<u>\$ 228,417,028</u>	<u>\$ 4,870,984</u>	<u>\$ 233,288,012</u>	<u>\$ 865,129</u>

The notes to the financial statements are an integral part of this statement.

City of Jackson
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2006

	<u>Water/Sewer Disposal System</u>	<u>Nonmajor Enterprise Funds</u>	<u>Total</u>	<u>Governmental Activities - Internal Service Fund</u>
Cash Flows from Operating Activities				
Receipts from customers and users	\$ 43,676,828	\$ 9,561,649	\$ 53,238,477	\$ 8,365,992
Receipts from other revenue	2,434,235	1,041,077	3,475,312	120,092
Payments to suppliers	(17,596,283)	(13,798,209)	(31,394,492)	(11,925,728)
Payments to employees	(9,395,914)	(967,184)	(10,363,098)	-
Net Cash provided by (used for)				
Operating Activities	<u>19,118,866</u>	<u>(4,162,667)</u>	<u>14,956,199</u>	<u>(3,439,644)</u>
Cash Flows from Noncapital Financing Activities				
Transfers In	<u>268,000</u>	<u>5,205,348</u>	<u>5,473,348</u>	<u>3,735,000</u>
Net cash provided by noncapital financing activities	<u>268,000</u>	<u>5,205,348</u>	<u>5,473,348</u>	<u>3,735,000</u>
Cash Flows from Capital and Related				
Financing Activities				
Acquisition and construction of capital assets	(56,820,732)	(1,205,804)	(58,026,536)	-
Proceeds from sales of capital assets	1,847,684	-	1,847,684	-
Proceeds from capital debt	230,069	437,523	667,592	-
Principal paid on capital debt	(7,030,848)	(459,306)	(7,490,154)	-
Interest paid on capital debt	(8,787,110)	-	(8,787,110)	-
Bond issuance cost	(198,652)	-	(198,652)	-
Net cash provided by (used for) capital and related financing activities	<u>(70,759,589)</u>	<u>(1,227,587)</u>	<u>(71,987,176)</u>	<u>-</u>
Cash Flow Provided by (Used for) Investing Activities:				
Purchase of investment securities	(33,129,313)	-	(33,129,313)	-
Proceeds from sale and maturities of investment securities	99,711,419	-	99,711,419	-
Interest on investments	4,432,594	28,216	4,460,810	7,315
Net Cash provided by (used for) investing activities	<u>71,014,700</u>	<u>28,216</u>	<u>71,042,916</u>	<u>7,315</u>
Net increase (decrease) in cash and cash equivalents	19,641,977	(156,690)	19,485,287	302,671
Cash and cash equivalents at beginning of year	<u>33,129,799</u>	<u>686,218</u>	<u>33,816,017</u>	<u>667,117</u>
Cash and cash equivalents at end of year	<u>\$ 52,771,776</u>	<u>\$ 529,528</u>	<u>\$ 53,301,304</u>	<u>\$ 969,788</u>

The notes to the financial statements are an integral part of this statement.

City of Jackson
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2006

	Water/Sewer Disposal System	Nonmajor Enterprise Funds	Total	Governmental Activities - Internal Service Fund
Reconciliation of Operating Income to Net Cash				
Provided (Used) by Operating Activities:				
Operating income	\$ 13,272,881	\$ (2,880,359)	\$ 10,392,522	\$ (3,342,460)
Depreciation Expense	8,329,182	785,707	9,114,889	-
(Increase) decrease in accounts receivable, net	(1,602,688)	(496,742)	(2,099,430)	(44,706)
Increase (decrease) in inventories	(210,865)	-	(210,865)	-
(Increase) decrease in other receivable	2,200,791	(2,619,738)	(418,947)	(93,149)
(Increase) decrease in deferred charges	248,150	-	248,150	-
(Increase) decrease in due from other funds	-	1,478,070	1,478,070	-
Increase (decrease) in accounts payable	(3,062,891)	(429,605)	(3,492,496)	40,671
Increase (decrease) in customer deposits	17,511	-	17,511	-
Increase (decrease) in other liabilities	(73,205)	-	(73,205)	-
Total adjustments	5,845,985	(1,282,308)	4,563,677	(97,184)
Net cash provided by (used for) operating activities	\$ 19,118,866	\$ (4,162,667)	\$ 14,956,199	\$ (3,439,644)
Recap of cash and cash equivalents:				
Cash and cash equivalents	\$ 10,602,613	\$ 529,528	\$ 11,132,141	\$ 969,788
Restricted cash and cash equivalents	42,169,163	-	42,169,163	-
	\$ 52,771,776	\$ 529,528	\$ 53,301,304	\$ 969,788

The notes to the financial statements are an integral part of this statement.

CITY OF JACKSON
 STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 AS OF SEPTEMBER 30, 2006

	<u>Trust Funds</u>			<u>Agency Funds</u>
	<u>Unemployment Compensation Revolving Fund</u>	<u>Charitable Trust Fire and Police Fund</u>	<u>Total</u>	
Assets				
Cash and cash equivalents	\$ 21,449	\$ 7,636	\$ 29,085	\$ 4,998
Total assets	<u>\$ 21,449</u>	<u>\$ 7,636</u>	<u>\$ 29,085</u>	<u>\$ 4,998</u>
 Liabilities and Net Assets				
Liabilities:				
Payables to others	\$ -	\$ -	\$ -	\$ 4,998
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,998</u>
Net Assets:				
Held in trust	<u>21,449</u>	<u>7,636</u>	<u>29,085</u>	<u>-</u>
Total net assets	<u>21,449</u>	<u>7,636</u>	<u>29,085</u>	<u>-</u>
Total liabilities and net assets	<u>\$ 21,449</u>	<u>\$ 7,636</u>	<u>\$ 29,085</u>	<u>\$ 4,998</u>

The notes to the financial statements are an integral part of this statement.

CITY OF JACKSON
STATEMENT OF CHANGES IN FIDUCIARY NET ASSE
FIDUCIARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Trust Funds		
	Unemployment Compensation Revolving Fund	Charitable Trust Fire and Police Fund	Total
Additions:			
Interest	\$ 1,836	\$ -	\$ 1,836
Other additions	-	-	-
Total Additions	<u>1,836</u>	<u>-</u>	<u>1,836</u>
Other Financing Sources:			
Transfers in:			
General Fund	120,000	-	120,000
Total other financing sources	<u>120,000</u>	<u>-</u>	<u>120,000</u>
Deductions:			
General government	-	-	-
Employee benefits	165,473	-	165,473
Total deductions	<u>165,473</u>	<u>-</u>	<u>165,473</u>
Change in Net Assets	(43,637)	-	(43,637)
Net assets at beginning of year	<u>65,086</u>	<u>7,636</u>	<u>72,722</u>
Net assets at end of year	<u>\$ 21,449</u>	<u>\$ 7,636</u>	<u>\$ 29,085</u>

The notes to the financial statements are an integral part of this statement.

**NOTES TO THE
FINANCIAL STATEMENTS**

CITY OF JACKSON
Notes to Financial Statements
September 30, 2006

Note 1 - Summary of Significant Accounting Policies:

A. REPORTING ENTITY

The City of Jackson, Mississippi, (the City) is incorporated under the Laws of the State of Mississippi. The City operates under the Mayor-Council form of government with a full-time Mayor elected from the City at large and seven part-time Council members (City Council) elected from wards. The City's major operations include police and fire protection, parks and recreation, public works, public transit system, urban development and general administrative services. In addition, the City owns and operates a water and sewer system.

The City's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 that do not conflict with or contradict GASB pronouncements. Although the City has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the City has chosen not to do so. The more significant accounting policies established in GAAP and used by the City is discussed below.

In evaluating the City as a reporting entity, management has addressed potential component units for which the City may or may not be financially accountable and as such, be includible within the City's financial statements. The component unit discussed below is included because of the significance of its operational or financial relationships with the City.

Discretely Presented Component Unit

Using the criteria above, management has determined that the Jackson Redevelopment Authority (JRA) should be reported as a discretely presented component unit of the City. The discretely presented component unit is reported in a separate column in the government-wide statements to emphasize they are legally separate from the primary government. The following is a summary of the City's discretely presented component unit.

The Jackson Redevelopment Authority (JRA) was established in 1968 under Section 43-35-1 through 235 of the Mississippi Code of 1942, as annotated. In 1970, JRA became the Parking Authority for the City under the same statute. The Mayor of the City makes appointments to a seven-member Board of Commissioners for staggered five-year terms to oversee the operations of JRA. Members may be removed from office for inefficiency, neglect of duty or misconduct in office. The City Council appropriates the administrative operating budget and must review and approve any amendments or budgetary adjustments. The City Council is responsible for designation of those urban renewal projects undertaken by JRA. The City makes annual contributions necessary to pay a portion of JRA's urban renewal bonds and has agreed to make payment of substantially all of the outstanding bonds. JRA operates on a September 30 fiscal year and its financial statement data is presented as a proprietary fund type. Complete financial statements for JRA may be obtained at its administrative office located at 218 South President Street, Jackson, Mississippi 39201.

CITY OF JACKSON
Notes to Financial Statements
September 30, 2006

Note 1 – Summary of Significant Accounting Policies (Continued):

Related Organizations

The following four agencies are non-profit corporations established within the City of Jackson. The Mayor appoints the board members of each respective agency as confirmed by the City Council. Each agency is fiscally independent from the City of Jackson, issues its debt, approves its budgets, and sets its rates and charges. The primary government has no authority to remove board members, designate management, or approve or modify rates. The City of Jackson is not obligated in any manner for the debt issues of these agencies. Financial statements for these agencies can be obtained at the following addresses:

Airport Authority
100 International Drive
Jackson, MS 39208

Jackson Housing Authority
2747 Livingston Road
Jackson, MS 39213

Jackson Public School District
662 South President Street
Jackson, MS 39201

Metro Jackson Convention & Visitors Bureau
921 North President Street
Jackson, MS 39202

The following agency is a non-profit corporation established within the City of Jackson. The Mayor appoints the board members of this respective agency as confirmed by the City Council. As of September 30, 2005, the corporation was in its formative stage and no debt has been issued. The City is obligated to issue debt for the development of the proposed Convention Center.

Capital City Convention Center
218 South President St.
Jackson, MS 39201

Joint Ventures

The Jackson/Hinds Library System (the System) operates under a joint agreement between the City and Hinds County and is funded equally by the City and the County. The joint agreement was effective October 1, 1986. All buildings used by the System within the City of Jackson are owned and maintained by the City and, as such, have been included in general fixed assets. The Jackson/Hinds Library System's financial statements may be obtained by writing to 300 North State Street, Jackson, MS 39201.

B. BASIC FINANCIAL STATEMENTS - GOVERNMENT-WIDE AND FUND LEVEL STATEMENTS

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The City's police and fire protection, parks and recreation, public works, and general administrative services are classified as governmental activities. The City's water, sewer, and public transit services are classified as business-type activities.

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on the consolidated basis by column, (b) and are reported on the full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net assets are reported in three parts: invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The City first utilizes restricted resources to finance qualifying activities.

CITY OF JACKSON
Notes to Financial Statements
September 30, 2006

Note 1 – Summary of Significant Accounting Policies (Continued):

The government-wide Statement of Activities reports both the gross and net cost of each of the City's functions and business-type activities (police, fire, public works, etc.). The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to applicants who use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function (police, fire, public works, etc.) or a business-type activity. Taxes and other items not properly included among program revenues are reported instead as *general revenues*. The net costs (by function or business-type activities) are normally covered by general revenue (property, sales or gas tax, intergovernmental revenues, interest income, etc.).

The City does not allocate indirect cost. An administrative service fee is charged by the General Fund to the other operating funds that is eliminated like a reimbursement (reducing the revenue and expense in the General Fund) to recover the direct costs of General Fund services provided (finance, personnel, purchasing, legal, technology management, etc.).

The government-wide focus is more on the sustainability of the City as an entity and the changes in the City's net assets resulting from the current year's activities. Separate financial statements are provided for governmental funds and proprietary funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. Major individual governmental funds are reported as separate columns in the fund financial statements.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's Proprietary Funds and of the City's Internal Service Funds are charges to customers for sales and services. Operating expenses for Proprietary Funds and Internal Service Funds include the cost of sales and services, direct administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

CITY OF JACKSON
Notes to Financial Statements
September 30, 2006

Note 1 – Summary of Significant Accounting Policies (Continued):

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the City receives cash.

The City reports the following major government funds:

General Fund - The General Fund is the City's primary operating fund. It accounts for all financial transactions of the City, except those required to be accounted for in another fund.

Debt Service Fund - This fund is used to account for the accumulation of resources and the subsequent disbursement of such resources to pay principal and interest on long-term debt of the City (other debt of the Enterprise Funds). Bond ordinances require the City to account for debt service transactions in separate funds, restrict the flow of cash between such funds, and comply with various other covenants. For financial statement reporting, the various debt service funds have been combined.

Improvement Fund - This fund is used to account for revenues that are legally restricted for improvements to City facilities.

1998 GO Bond Fund - This fund is used to account for proceeds of general obligation bonds of \$35,000,000 issued to finance certain projects including storm drainage systems, construction of a youth detention center, and repairing buildings.

2003 GO Bond Fund - This fund is used to account for proceeds of general obligation bonds of \$20,000,000 issued to finance certain projects including storm drainage systems, repairing and the construction of municipal buildings, infrastructures, and other related improvements.

The City reports the following major proprietary fund:

Water/Sewage Disposal Fund - This fund accounts for activities associated with the provision of water, sewerage and water pollution control services to individuals, organizations and other governmental units within and around the City.

Additionally, the City reports the following fund types:

Governmental Funds:

General Fund is the general operating fund of the City. The General Fund accounts for all financial resources except those required to be accounted for in other funds. The General Fund is always a major fund.

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

CITY OF JACKSON
Notes to Financial Statements
September 30, 2006

Note 1 – Summary of Significant Accounting Policies (Continued):

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Enterprise Funds).

Proprietary Funds:

Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises-where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriated for capital maintenance, public policy, management control, accountability or other purposes.

Internal Service Fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the governmental unit, or to other governmental units, on a cost-reimbursement basis.

Fiduciary Funds:

Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support City programs. The City has two trust funds, the Unemployment Compensation Revolving Fund and the Charitable Trust Fire and Police Fund. The function of the City's principal trust fund, the Unemployment Compensation Revolving Fund, is discussed in Note 4.A.2. The City's Trust Funds also include Charitable Trust Fire and Police Fund. The function of the Charitable Trust Fire and Police Fund is to account for contributions from the public sector which is held in trust for fire and police allowable claims. The purpose of the City's Agency Funds is to collect and remit to the related organizations the proceeds of a special sales tax received from the State. The reporting focus is on net assets and changes in net assets and are reported using accounting principles similar to proprietary funds.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASB No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The nonmajor funds are combined in a column in the fund financial statements.

The City's internal service fund is presented in the proprietary funds financial statements. Because the principal users of the internal services are the City's governmental activities, the financial statements of the internal service fund are consolidated into the governmental activities column when presented in the government-wide financial statements. To the extent possible, the cost of these services is reported in the appropriate functional activity (police, fire, public works, etc.).

D. ASSETS, LIABILITIES AND NET ASSETS OR EQUITY

1. Cash and Cash Equivalents

Cash and cash equivalents include demand deposit accounts, petty cash, and certificates of deposit with a maturity date generally within 90 days of the date acquired by the City. Collateral as further discussed in Note 3, is pledged by the various financial institutions to secure City funds.

CITY OF JACKSON
Notes to Financial Statements
September 30, 2006

Note 1 – Summary of Significant Accounting Policies (Continued):

2. Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

3. Investments

Investments are recorded at fair value with all investment income, including changes in the fair value of investments, reported as revenue in the financial statements. Income from short-term interest bearing securities is recognized as earned. Statutes authorize the City to invest in U.S. Government obligations, U.S. Government agency obligations, State of Mississippi obligations, and obligations of a corporation of the U.S. Government.

Securities traded in a national or international exchange are valued at the last reported sales price at current exchange rates. Short-term investments are reported at fair value when published prices are available, or at cost plus accrued interest, which approximates fair value. For individual investments where no readily ascertainable fair value exists, the Public Employees' Retirement System, in consultation with its investment advisors and custodial bank, has determined the fair values.

4. Restricted Assets

Certain proceeds of the City's Proprietary Fund revenue bonds, as well as certain resources set aside for their payment, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and trust accounts and their use is limited by applicable bond covenants. Restricted amounts in governmental activities include amounts set aside by law for state tort claims and amounts accumulated for general obligation bond debt service.

5. Inventories

Inventories are priced at cost using the weighted average method. Inventories are accounted for using the consumption method and are not charged out until used. Inventories consist of major stores of materials and supplies held at central locations. The user departments and other funds of the City are charged for the cost value of the items, as they are withdrawn from inventory.

6. Capital Assets

Capital assets purchased or acquired are carried at historical cost. Contributed assets are recorded at fair market value at the date received. The City's classes of capital assets and their capitalization levels are: land – cost or fair market value, buildings - \$50,000, land improvements - \$25,000, machinery and equipment - \$500, infrastructure - \$100,000, and construction in progress – based on the project's class. Infrastructure, such as streets and bridges, is capitalized for the first time in fiscal year 2002. The cost of normal maintenance and repair that do not add to the value of capital assets or materially extend their respective lives are not capitalized. Interest expenditures are not capitalized on capital assets.

CITY OF JACKSON
Notes to Financial Statements
September 30, 2006

Note 1 – Summary of Significant Accounting Policies (Continued):

Capital assets, excluding land and construction in progress, are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Land improvements	20
Heavy machinery and equipment	5-15
Computer equipment	3
Vehicles	3-10
Infrastructure	8-50

Interest is capitalized on proprietary fund assets constructed with the proceeds of tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period.

The City has a collection of artwork presented for public exhibition and education that is being preserved for future generations. The proceeds from the sales of any pieces of the collection are used to purchase other acquisitions. The collection is not capitalized or depreciated as part of capital assets.

Infrastructure assets include roads, bridges, underground pipe (other than related to utilities), traffic signals, etc. These infrastructure assets are likely to be the largest asset class of the City. Neither their historical cost nor related depreciation has historically been reported in the financial statements. The retroactive reporting of infrastructure is subject to an extended implementation period and is first effective for fiscal years ending in 2006. The City has implemented the general provisions of GASBS No. 34 and has fully implemented the retroactive infrastructure provisions for the fiscal year ended September 30, 2004.

7. Compensated Absences

The City accrues accumulated unpaid personal leave and associated employee-related cost when earned (or estimate to be earned) by employees up to 240 hours. For the Proprietary Funds and the government-wide Statements, the current portion is the amount estimated to be used in the following year. In accordance with GAAP, for the governmental funds, in the Funds Financial Statements, all of the compensated absences are considered long-term and therefore, are not a fund liability and represents a reconciling item between the fund level and government-wide presentation. The compensated absences liability is liquidated by the following funds: general fund, special revenue, transportation, sanitation & water/sewer.

8. Bond Discounts, Bond Premiums and Issuance Costs

In the government funds, bond discounts, bond premiums and issuance costs are treated as period costs in the year of issue. Bond premiums and discounts are shown as an "Other Financing Sources/Uses".

In the proprietary funds and government-wide financial statements, bond discounts, bond premiums and issuance costs are deferred and amortized over the terms of the bonds outstanding method, which approximate the effective interest method. Bond discounts and premiums are presented as a reduction and increase, respectively, of the face amount of the revenue bond payable, where issuance costs are recorded as other assets.

CITY OF JACKSON
Notes to Financial Statements
September 30, 2006

Note 1 – Summary of Significant Accounting Policies (Continued):

9. Interfund Activity

Interfund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near fair market rates are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

10. Revenues

Substantially all governmental fund revenues are accrued. Property taxes are billed and collected within the same period in which the taxes are levied. Subsidies and grants to proprietary funds, which finance either capital or current operations are reported as non-operating revenues. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expense result from providing services and producing and delivering good in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund and of the government's internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. In applying GASBS No. 33 to grant revenues, the provider recognizes liabilities and expenses and the recipient recognizes receivables and revenues when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met are reported as advances by the provided and deferred revenue by the recipient.

11. Expenditures

Expenditures are recognized when the related fund liability is incurred. Inventory costs are reported in the period when inventory items are used, rather than in the period purchased.

12. Reserves and Designations

Portions of fund equity are segregated for future use and therefore, are not available for future appropriations or expenditure. An amount reserved for debt service in the proprietary funds represents portions of fund equity that are required to be segregated in accordance with bond resolutions. Amounts reserved for state tort claims represent amounts required by state law to be segregated for these purposes. The unreserved designated fund balance of the Capital Projects Funds is appropriated for expenditures in future years. The amount designated for contingencies represents an earmarking of financial resources for the future use by the City to fund estimated loss contingencies.

13. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

CITY OF JACKSON
Notes to Financial Statements
September 30, 2006

Note 1 – Summary of Significant Accounting Policies (Continued):

14. Pension Expenses

The City funds pension expenses as required by applicable statute. Two plans, funded from both City and employee contributions are described in Note 4 Section E.

15. Post-Employment Health Care and Life Insurance Benefits

The City does not incur costs associated with post-employment benefits for retired employees. The City allows all vested employees to continue in the group plan after retirement; however the retired employees pay 100% of the premiums.

16. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosures. Actual results could differ from those estimates.

17. New Accounting Pronouncements

The City has adopted the following new accounting pronouncements:

GASB issued Statement No. 44, *Economic Condition Reporting: The Statistical Section – an amendment of NCGA Statement 1*. This statement establishes and modifies requirements related to the supplementary information presented in the statistical section that accompanies the basic financial statements. The provisions of this Statement are effective for statistical sections prepared for periods beginning after June 15, 2005. Implementation of this Statement will affect only the statistical section of the financial statements.

18. Future Effective Accounting Pronouncements

In July 2004, the GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postretirement Benefits Other Than Pensions*. This statement establishes standards for the measurement, recognition and display of other postretirement benefits expenses/expenditures and related liabilities (assets), note disclosures and required supplementary information in the financial reports of state and local governmental employers. The provisions of this Statement are effective for the City for periods beginning after December 15, 2006. The City has not yet determined the effect this Statement will have on its financial statements. However, management anticipates that the City's liability for postemployment benefits will be substantial.

CITY OF JACKSON
Notes to Financial Statements
September 30, 2006

Note 2 – Reconciliation of government-wide and fund financial statements

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$109,930 difference are as follows (in thousands of dollars):

Bonds payable	\$ 79,666
Less: Deferred charge on refunding (to be amortized as interest expense)	1,401
Less: Issuance premium	2,340
Less: Issuance discount (to be amortized as interest expense)	(371)
Accrued interest payable	620
Capital leases payable	16,009
Claims and judgments	2,518
Compensated absences	3,657
Workers’ Compensation Benefits	4,090
Net adjustment to reduce <i>fund balance – total governmental funds</i> to arrive at <i>net assets – governmental activities</i>	\$ 109,930

Another element of that reconciliation explains that “Internal service funds are used to account for the group benefit plan. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.” The details of this \$865 difference are as follows (in thousands of dollars):

Net assets of the internal service funds	\$ 865
Net adjustment to increase <i>fund balance – total governmental funds</i> to arrive at <i>net assets – governmental activities</i>	\$ 865

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$25,957 difference are as follows (in thousands of dollars):

CITY OF JACKSON
Notes to Financial Statements
September 30, 2006

**Note 2 – Reconciliation of government-wide and fund financial statements
(Continued):**

Capital outlay	\$ 37,049
Depreciation expense	<u>(11,092)</u>
Net adjustment to increase <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 25,957</u>

Another element of that reconciliation states that “The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this \$13,190 difference are as follows (in thousands of dollars):

Principal repayments:	
General obligation debt	\$ 7,810
Limited obligation debt	415
Special obligation debt	<u>4,965</u>
Net adjustment to decrease <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 13,190</u>

Another element of that reconciliation states that “The activities from debt related transactions include new capital lease proceeds reported in the fund statements and retirement of prior lease.” The details of this \$3,354 difference are as follows (in thousands of dollars):

Debt issued or incurred:	
Capital lease financing	\$ 6,830
Principal repayments:	
Payment on capital lease	<u>(3,476)</u>
Net adjustment to decrease <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 3,354</u>

Another element of that reconciliation states that “Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.” The details of this \$1,960 difference are as follows (in thousands of dollars):

CITY OF JACKSON
Notes to Financial Statements
September 30, 2006

**Note 2 – Reconciliation of government-wide and fund financial statements
(Continued):**

Compensated absences	\$ 271
Workers' Compensation Benefits	300
Claims and judgments	82
Accrued interest	937
Amortization of bond premium	315
Amortization of bond discounts	<u>55</u>
Net adjustment to decrease <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	 <u>\$ 1,960</u>

Another element of that reconciliation states that "Revenues recognized on the full accrual basis for the government-wide statements but are not recognized on the fund statements." The details of this \$800 difference are as follows (in thousands of dollars):

Property taxes receivable	\$ 623
Special assessments receivable	<u>177</u>
Net adjustment to increase <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	 <u>\$ 800</u>

Another element of that reconciliation states that "Internal service funds are used by management to charge the costs of fleet management and management information systems to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities." The details of this \$400 difference are as follows (in thousands of dollars):

Change in net assets of the internal service funds	<u>\$ 400</u>
Net adjustment to increase <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	 <u>\$ 400</u>

CITY OF JACKSON
Notes to Financial Statements
September 30, 2006

Note 3 – Stewardship, Compliance and Accountability

A. BUDGETARY INFORMATION

The City follows these procedures in establishing budgetary data reflected in the financial statements.

1. The Finance Division of the Department of Administration prepares estimates of available revenue.
2. Department directors submit proposed expenditure budgets to the Finance Division of the Department of Administration by June 1 each year.
3. The Finance Division of the Department of Administration reviews the expenditure budgets, and the necessary revisions are communicated to department directors.
4. Budgeted revenues and expenditures are balanced, and a summary budget is prepared by July 1, and presented to the Mayor.
5. The Mayor submits the proposed budget to the City Council by August 1. The final budget is approved by September 15 and must be published in a local newspaper on or before September 30.
6. The budget is formally amended in September each year or any time that budget revisions through funds reallocation are necessary or a budget deficit is indicated.
7. The City prepares annual budgets for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds, Enterprise Funds, Internal Service Fund and Trust Funds (with the exception of the Charitable Trust Fire and Police Fund). Budgets for the Enterprise Funds are prepared on a GAAP basis but exclude depreciation and bad debt expense and include debt retirement payments. The General Fund, Debt Service Fund, Special Revenue Funds, Capital Projects Funds, Internal Service Fund and Trust Funds are prepared in accordance with GAAP. Budget and actual comparisons are presented in the accompanying financial statements for all governmental type funds for which a budget is adopted.

During the fiscal year, several adjustments are normally required to the adopted budget. The approved budget may be amended as required in accordance with the following protocol:

- a. Revenues are reviewed at least quarterly, and the projections are adjusted if warranted. These adjustments to expected revenues, if material, can precipitate adjustments to the expenditure budget.
- b. Adjustments to transfer approved expenditure budgets from one department to another or to transfer from one category to another within a department must be approved by the City Council.
- c. All new appropriations must be approved by the City Council and are normally submitted by the Mayor's Office.

The legal level of control for all budgets adopted is at the category level by funds with the exception of the General Fund, which is appropriated at the category level by department. Administrative control for all budgets is maintained through the establishment of more detailed line-item budgets.

CITY OF JACKSON
Notes to Financial Statements
September 30, 2006

Note 3 – Stewardship, Compliance and Accountability (Continued):

The Finance Division of the Department of Administration exercises budgetary monitoring throughout the fiscal year. An adopted budget may not exceed its appropriated level without City Council approval. The Finance Division of the Department of Administration advises the Mayor whenever a requested expenditure will exceed budgeted amounts. The City Council may approve expenditures in excess of budgeted amounts in various funds or departments as appropriate, as long as total annual expenditures do not exceed available resources. Adjustments in expenditure rates, if necessary, are implemented by the City Council as required, so that the total expenditures and resources will remain in balance throughout the year.

8. Budgeted expenditure or expense amounts and other uses as originally adopted were amended by the City Council in September 2006 as provided by law, as follows (in thousands of dollars):

	Originally Adopted Budget	Budget as Amended	Increase (Decrease)
General Fund	\$ 117,157	\$ 132,050	\$14,893
Special Revenue Funds	46,047	51,814	5,767
Debt Service Fund	11,344	11,638	294
Capital Projects Funds	26,947	25,288	(1,659)
Enterprise Funds	192,122	185,966	(6,156)
Internal Service Fund	12,223	12,610	387
Trust Funds	121	201	80
	<u>\$ 405,961</u>	<u>\$ 419,567</u>	<u>\$ 13,606</u>

9. Unexpended appropriations lapse at year end in all funds.

B. DEFICIT FUND EQUITY

The deficit fund equity by individual fund as of September 30, 2006 follows (in thousands of dollars):

	<u>Deficit</u> <u>Fund Balance/Retained Earnings</u>
State Grant Fund	\$ <u>63</u>
Total	\$ <u>63</u>

The City is taking appropriate action to eliminate these fund deficits.

CITY OF JACKSON
Notes to Financial Statements
September 30, 2006

Note 4 – Detailed notes on all funds

A. Deposits and Investments

1. Policies and Practices

The collateral for public entities' deposits in financial institutions is now held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Mississippi Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation (FDIC).

2. Deposits – Primary government

At year end, the carrying amount of the City's deposits was \$36,201,228 and the bank balances totaled \$61,781,032. Of the bank balances, \$100,000 was insured by federal deposit insurance and \$61,681,032 was covered by pooled and/or pledged collateral, as allowed by the Mississippi Code.

3. Investments – Primary Government

As of September 30, 2006, the City had investments consisting of U.S. Agencies at a total fair value of \$45,517,509 with a total Portfolio Weighted Average maturity of less than one year.

Investment Rate Risk – Interest rate risk is that changes in interest rates will adversely affect the fair value of an investment. As a means of limiting its exposure to losses from rising interest rates, the City's investment policy limits investment maturities in its portfolio to no more than 12 months for U.S. Treasury obligations for all investments except bond funds. With respect to bond funds, the City can invest in obligations of U.S. federal agencies for no more than 18 months.

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of failure of the counterparty, the City will not be able to recover the value of its investment or collateral securities that are in the possessions of an outside party. Consistent with the City's investment policy, all investments above are held by a counterparty and are not insured.

Following is a list of the City's eligible investments, which in accordance with State statute are limited to the investment of funds in excess of sums required for immediate expenditure or current obligations:

- Certificates of deposit with municipal depositories approved annually by the State Treasurer
- Bonds or direct obligations of the:
 - United States of America
 - State of Mississippi
 - County or Municipality of Mississippi
 - School Districts

State statute allows the investment of funds received from the sale of bonds, notes, or certificates of indebtedness which are not immediately required for disbursement for the purpose issued, in direct obligations issued by or guaranteed in full by the United States of America, or in certificates of deposit with approved municipal depositories.

CITY OF JACKSON
Notes to Financial Statements
September 30, 2006

Note 4 – Detailed notes on all funds (Continued):

4. Cash and Investments - Component Unit

The component unit's policy is to invest available funds in the following types of investments: 1) direct obligations of the U. S. of America, including such instruments as treasury bills, treasury notes and treasury bonds; 2) obligations of U. S. Government agencies that are deliverable on the Federal Reserve System; 3) Repurchase agreements in U. S. Government securities made with dealers that report to and are regulated by the Federal Reserve Bank; 4) deposits with financial institutions which are insured or are fully collateralized by qualifying securities.

The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Mississippi Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation (FDIC). As of September 30, 2006 all of the component unit's cash deposits in excess of the amounts covered by the FDIC were covered under the collateral pool administered by the State Treasurer.

Cash equivalents are reflected at cost, which approximates fair value. These cash equivalents were uninsured, unregistered, and held by the counterparty brokerage firm. At September 30, 2006, cash equivalents of the of the component unit consisted of the following (amounts are expressed in thousand dollars):

U. S. Treasury Bills:	
Unrestricted:	\$ 366
Restricted under bond agreements	1,350
	<u>\$ 1,716</u>

B. Receivables

Receivables at September 30, 2006, for the primary government's individual major funds and nonmajor, internal service, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows (amounts are expressed in thousand dollars):

	General	Debt Service	Water and Sewer	Improvement Fund	2003 G O Bond	Nonmajor and Other Funds	Total
Receivables:							
Accounts receivable	\$ -	\$ -	7,320	\$ -	\$ -	2,466	\$ 9,786
Intergovernmental	1,971	-	-	1,679	-	5,789	9,439
Other	48,955	9,990	458	354	57	7,953	67,767
Gross receivables	\$ 50,926	\$ 9,990	\$ 7,778	\$ 2,033	\$ 57	\$ 16,208	\$ 86,992

Revenues of Water and Sewer are reported net of uncollectible amounts.

CITY OF JACKSON
Notes to Financial Statements
September 30, 2006

Note 4 – Detailed notes on all funds (Continued):

B. Receivables (Continued):

1. Property taxes

Property taxes on real and personal property, exclusive of automobiles, attach as an enforceable lien on the levy date or January 1 for the preceding calendar year. Hinds, Rankin and Madison Counties bill and collect the real, personal and auto ad valorem taxes for the City of Jackson, Jackson Municipal Separate School District and the Jackson/Hinds Library System. Automobile taxes are remitted monthly and real and personal taxes are remitted on a weekly basis to the City of Jackson. Hinds County remits directly to the Jackson Municipal Separate School District taxes collected for all school funds except the Bond and Interest Fund in accordance with State law. Hinds County also remits to the City a pro rata share of road and bridge taxes collected by the County.

The taxes are due on or before February 1; however, installment payments can be made one-half of balance due on February 1 and one-fourth each on May 1 and August 1.

Tax millage levies for 2005 were collected in the current fiscal year and statutory maximum millage rates were as follows:

<u>Fund</u>	<u>Levy (in mills)</u>	<u>Purpose</u>	<u>Maximum</u>
General Fund	37.67	General	None
Parks and Recreation Fund	2.00	Recreation	2.00 mills
Debt Service Fund	9.52	Debt retirement	None
Disability and Relief Fund	<u>5.56</u>	Retirement	None
Total City of Jackson	<u>54.75</u>		
Jackson/Hinds Library System	<u>1.28</u>	Public library	None
Jackson Municipal Separate School District:			
District Supplement Levy	68.91	Public schools	None
Special Debt Retirement Levy	2.11	Public schools	None
Special Debt Retirement Bond	2.68	Public schools	None
Special Debt Retirement	<u>2.00</u>	Public schools	None
	<u>75.70</u>		
Total mills	<u>131.73</u>		

Landscape Improvement fund rate consists of nine cents of the gross square footage of land and building of property owners located in the downtown development district.

The City is permitted to levy taxes based on a percentage of up to 100% of fair value of property at the millage indicated above. At the present time, the City levies taxes based on 10% of fair value for homeowner-occupied real property, 15% of fair value for all other real and personal property, and 30% of fair value for all motor vehicles and property owned by public service corporations. The City may levy taxes as necessary to meet bonded debt retirement. Limitations are imposed on the amount of bonded debt that may be issued based upon assessed valuation of properties.

Annual tax increases for all purposes except payment of general obligation bonds and interest are limited by State law to 10% of the preceding year's receipts plus new construction.

CITY OF JACKSON
Notes to Financial Statements
September 30, 2006

Note 4 – Detailed notes on all funds (Continued):

B. Receivables (Continued):

The State levies a 7% sales tax on retail sales and remits 18.5% of collections to the City monthly. Intergovernmental revenue of the General Fund includes \$37,992,760 of sales tax revenue.

In accordance with the Local and Private Act, since January 1, 2005 the City has levied, assessed and is collecting: (a) tax of 1% of the gross proceeds of sales of restaurants and of sales of food and beverages in the hotels and motels, within the City; (b) a tax of 3% of the gross proceeds of sales of hotel and motel rooms and lodging within the City; and (c) a tax of 3% of gross proceeds of sales at the Convention Center by caterers. The tax is primarily to be used for debt service payments on bonds to be issued for the construction of a convention center.

Governmental funds reported *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *deferred revenue* reported in the governmental funds were as follows:

	<u>Unearned</u>
Delinquent property taxes receivable (general fund)	\$ 685,115
Delinquent property taxes receivable (debt service fund)	333,868
Special assessments not yet due (debt service fund)	176,677
Current year tax assessments (all funds)	60,887,888
Grant drawdowns prior to meeting all eligibility requirements	806,958
Total unearned revenue for governmental funds	<u>\$ 62,890,506</u>

C. Changes in Capital Assets

1. Primary government capital asset activity for the year ended September 30, 2006, was as follows (amounts are expressed in thousands):

	Balance September 30, 2005	Additions	Deletions	Adjustments	Balance September 30, 2006
Governmental Activities:					
Capital assets not being depreciated:					
Land	\$ 14,929	\$ -	\$ (231)	\$ -	\$ 14,698
Infrastructure	-	-	-	-	-
Construction in progress	63,688	18,611	(45,434)	-	36,865
Total capital assets not being depreciated	78,617	18,611	(45,665)	-	51,563
Capital assets being depreciated:					
Buildings	36,879	29,064	-	-	65,943
Infrastructure	222,261	16,371	-	-	238,632
Automotive and equipment	58,508	7,535	(116)	-	65,927
Total capital assets being depreciated	317,648	52,970	(116)	-	370,502
Less accumulated depreciation for:					
Buildings	(14,542)	(1,262)	-	-	(15,804)
Infrastructure	(69,626)	(6,694)	-	-	(76,320)
Automotive and equipment	(49,352)	(3,136)	-	-	(52,488)
Total accumulated depreciation	(133,520)	(11,092)	-	-	(144,612)
Total capital assets being depreciated, net	184,128	41,878	(116)	-	225,890
Total governmental activities capital assets, net	\$ 262,745	\$ 60,489	\$ (45,781)	\$ -	\$ 277,453

CITY OF JACKSON
Notes to Financial Statements
September 30, 2006

Note 4 – Detailed notes on all funds (Continued):

C. Changes in Capital Assets (Continued):

	Balance September 30, 2005	Additions	Deletions	Balance September 30, 2006
Business-Type Activities:				
Capital assets not being depreciated:				
Land	\$ 1,838	\$ -	\$ -	\$ 1,838
Construction in progress	55,668	54,846	(20,634)	89,880
Total capital assets not being depreciated	57,506	54,846	(20,634)	91,718
Capital assets being depreciated:				
Buildings	1,776	2	(2)	1,776
Infrastructure	299,163	20,634	-	319,797
Automotive and equipment	79,447	5,319	(737)	84,029
Total capital assets being depreciated	380,386	25,955	(739)	405,602
Less accumulated depreciation for:				
Buildings	(529)	(50)	-	(579)
Infrastructure	(98,844)	(7,660)	-	(106,504)
Automotive and equipment	(56,964)	(1,405)	-	(58,369)
Total accumulated depreciation	(156,337)	(9,115)	-	(165,452)
Total capital assets being depreciated, net	224,049	16,840	(739)	240,150
Total business-type activities capital assets, net	\$ 281,555	\$ 71,686	\$ (21,373)	\$ 331,868

2. Depreciation expense was charged to functions of the primary government as follows:

Governmental Activities:

General government	\$ 555
Public Safety	2,218
Public Works	7,956
Culture and recreation	363
Total depreciation expense – governmental activities	\$ 11,092

Business-Type Activities:

Water/Sewer	\$ 8,329
Non-major business – type activities	786
Total depreciation expense – business-type activities	\$ 9,115

CITY OF JACKSON
Notes to Financial Statements
September 30, 2006

Note 4 – Detailed notes on all funds (Continued):

C. Changes in Capital Assets (Continued):

3. Construction work in progress for the governmental activities of the primary government is composed of the following:

Project	Spent-to-date	Remaining Commitment
Improvement Fund	\$ 8,900,106	\$ 569,917
Community Development Block Grant	286,697	-
1982 Industrial Park Bond	217,881	8,000
1988 G O Public Improvement Construction Bond	156,676	47,068
1994 G O Public Improvement Construction Bond	140,282	65,456
1998 G O Public Improvement Construction Bond	14,385,820	1,815,344
2003 G O Public Improvement Construction Bond	11,120,807	2,169,562
Economic Development Initiative –		
Economic Development,	159,956	-
Traffic – Repair and Replacement,	986,498	262,630
Drainage – Repair and Replacement,	510,762	38,714
Total	\$ 36,865,485	\$ 4,976,691

4. Construction work in progress at September 30, 2006, for primary government enterprise funds is composed of the following:

Project	Spent-to-date	Remaining Commitment
Water/Sewer Construction Fund	\$89,880,281	\$17,102,917
Total	\$89,880,281	\$17,102,917

CITY OF JACKSON
Notes to Financial Statements
September 30, 2006

Note 4 – Detailed notes on all funds (Continued):

C. Changes in Capital Assets (Continued)

5. A summary of changes in capital assets for component units is as follows: (amounts are expressed in thousands)

	Balance September 30, 2005	Additions	Deletions	Balance September 30, 2006
Business-Type Activities:				
Capital assets not being depreciated:				
Land	\$ 6,965	\$ -	\$ -	\$ 6,965
Construction in progress	1,782	4,485	-	6,267
Property held for development	7,352	59	(368)	7,043
Total capital assets not being depreciated	16,099	4,544	(368)	20,275
Other capital assets:				
Land improvements	29	-	-	29
Buildings	44,679	51	-	44,730
Equipment and furniture	1,288	-	-	1,288
Total other capital assets	45,996	51	-	46,047
Less accumulated depreciation for:				
Land improvements	(29)	-	-	(29)
Buildings	(12,365)	(1,126)	-	(13,491)
Equipment and furniture	(1,276)	(5)	-	(1,281)
Total capital assets being depreciated	(13,670)	(1,131)	-	(14,801)
Total other capital assets, net	32,326	(1,080)	-	31,246
Total capital assets, net	\$ 48,425	\$ 3,464	\$ (368)	\$ 51,521

Depreciation expense was charged to activities as follows:

Urban renewal projects	\$ 702,727
Rehabilitation loan services	1,809
Parking facilities	426,755
Total	\$1,131,291

CITY OF JACKSON
Notes to Financial Statements
September 30, 2006

Note 4 – Detailed notes on all funds (Continued):

D. Interfund receivables, payables, and transfers:

Individual fund interfund receivable and payable balances as of September 30, 2006 follows (in thousands of dollars):

	Interfund Receivables	Interfund Payables
General Fund	\$ 3,822	\$ -
Water/Sewage Disposal System Fund	1,348	-
Nonmajor Governmental Funds	-	211
Nonmajor Proprietary Fund	-	4,959
Total	\$ 5,170	\$ 5,170

Summary of transfer in/transfer out within primary government (in thousands of dollars):

	Transfer In	Transfer Out
General Fund	\$ -	\$ 13,175
Improvement Fund	50	-
Water/Sewage Disposal System Fund	268	-
Nonmajor Governmental Funds	4,065	268
Nonmajor Fiduciary Funds	3,735	-
Nonmajor Proprietary Funds	5,205	-
Trust and Agency	120	-
Total	\$ 13,443	\$ 13,443

Interfund transfers at September 30, 2006 consist of the following (in thousands of dollars):

\$	50	From the General Fund to a Major Governmental Fund (Improvement Fund) to subsidize operations.
	268	From a Nonmajor Governmental Fund (Federal Grant Fund) to a Proprietary Fund (Water/Sewer Construction Fund) to increase funding for Brown Street Project.
	4,065	From the General Fund to Nonmajor Governmental Funds (Parks and Recreation, Federal and State Grant Funds) to subsidize operations.
	3,735	From the General Fund to Nonmajor Fiduciary Fund (Internal Service Fund) to subsidize operations.
	5,205	From the General Fund to Nonmajor Proprietary Funds (Sanitation and Transportation) to subsidize operations.
	120	From the General Fund to Fiduciary Fund (Unemployment Compensation Fund) to subsidize operations.
\$	13,443	

CITY OF JACKSON
Notes to Financial Statements
September 30, 2006

Note 4 – Detailed notes on all funds (Continued):

E. Capital leases:

The City leases property with varying terms and options. Most leases contain a clause that states that the lease shall terminate in the event that no funds or insufficient funds are appropriated. However, if renewal is reasonably assured, leases are considered noncancellable leases for financial reporting purposes.

The City has financed through lease agreements the acquisition of the data processing division computer system, word-processing systems for the legal division, computerized records management system and a computer-aided dispatch system for the fire and police departments, and various copying and duplicating equipment. In addition, tractors have been acquired for both the Water Maintenance and the Engineering Maintenance divisions; golf carts have been acquired for the City's golf courses and riding lawn mowers have been acquired for park maintenance. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of future minimum lease payments as of the date of their inception. Future minimum lease payments under operating leases are disclosed in the following note. At September 30, 2006, there were assets under capital lease totaling \$16,887,479 for machinery and equipment. Future minimum lease payments for capital leases are disclosed in Note 3 section 9.

The City has reported the proceeds of capital leases related to its Proprietary Funds as inflows of cash since the City receives cash advances from the lessors and purchases the related assets.

F. Operating leases:

The City is obligated under certain noncancellable leases for land and buildings with terms remaining more than one year that are classified as operating leases. Operating leases do not give rise to property rights; therefore, the results of the lease agreements are not reflected in the City's account groups. Total lease expenditures for the rental of all land and buildings under operating leases for the year ended September 30, 2006, amounted to \$550,353. The following is a schedule by years of future minimum lease payments required under the noncancellable land and building operating leases as of September 30, 2006, (in thousands of dollars):

<u>Fiscal Year</u>	<u>Amount</u>
2006	\$ 490
2007	469
2008	469
2009	468
2010	471
2011 and thereafter	<u>3,362</u>
Total	<u>\$ 5,729</u>

The total rental expenditures for all operating leases of the City for the year ended September 30, 2006 totaled to \$1,217,323. There were no subleases or contingent rentals associated with the operating leases.

CITY OF JACKSON
Notes to Financial Statements
September 30, 2006

Note 4 – Detailed notes on all funds (Continued):

G. Long-term debt:

1. General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both general government and proprietary activities. These bonds therefore are reported in the proprietary funds if they are to be repaid from proprietary revenues.

The City issued \$20 million of general obligation bonds in January 2003 to provide funds for the costs of: (A) erecting, repairing, improving, and equipping municipal buildings, (B) improving streets, (C) traffic signals, (D) drainage improvements.

On August 4, 2005, the City issued \$20,960,000 in General Obligation Refunding Bonds with an average interest rate of 4.26 percent to advance refund \$20,710,000 of outstanding General Obligation Bonds, Series 1998 with an average interest rate of 5.05. The net proceeds of \$21,904,652 (after payment of \$343,777 in underwriting fees, insurance and other issuance costs) were used to purchase U. S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments for the General Obligation Bonds, Series 1998. As a result, the General Obligation Bonds, Series 1998 bonds are considered to be defeased and the liability for those bonds has been removed from the government-wide statement of net assets. A portion (\$7,490,000) of the General Obligation Bonds, Series 1998 was not refunded.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$1,401,036. This difference is being charged to operations through the year 2017. The City completed the advance refunding to reduce its total debt service payments over the next 12 years by \$816,595 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$861,719.

General obligation bonds are direct obligations and pledge the full faith and credit of the City. These bonds generally are issued as serial bonds in denominations of \$5,000 with principal maturing annually and interest due at various semi-annual dates.

General obligation bonds currently outstanding at September 30, 2006, were as follows (in thousands of dollars):

	<u>Date of Obligation</u>	<u>Interest Rate</u>	<u>Final Maturity Date</u>	<u>Issued</u>	<u>Outstanding</u>
<u>General Obligation Bonds:</u>					
General Long-Term Debt:					
Industrial Park Bonds, Refunding 1996	2/01/96	5.20-6.05%	12/01/06	3,570	\$ 500
Refunding Bonds, Series 1998	6/16/98	3.75-4.85%	07/01/14	5,490	4,400
General Obligation Bonds, Series 1998 Refunded 8/4/2005	10/01/98	4.00-5.25%	10/01/18	35,000	5,965
General Obligation Bonds, Series 2002	01/31/02	4.00-5.00%	05/01/18	30,605	9,955
MS Development Bank GO Bonds, Series 2003	01/05/03	2.00-5.25%	03/01/23	20,000	18,095
General Obligations Bonds, Refunding 2005	08/04/05	3.00-5.00%	10/01/17	20,960	<u>19,800</u>
Total General Obligation Bonds in General Long-Term Debt					<u>\$ 58,715</u>

CITY OF JACKSON
Notes to Financial Statements
September 30, 2006

Note 4 – Detailed notes on all funds (Continued):

G. Long-term debt (Continued):

2. Revenue Bonds

On October 22, 2004, the City issued \$78,085,000 of Water/Sewer System Revenue and Revenue Refunding Bonds with an average interest rate of 4.53 percent to provide construction funding of \$57,985,452 and to advance refund \$5,030,000 of outstanding Water/Sewer System Revenue Bonds, Series 1999 with an average interest rate of 6.38 percent and to advance refund \$5,895,000 of outstanding Water/Sewer System Revenue Bonds, Series 2002 with an average interest rate of 3.71. The net proceeds of \$11,567,152 (after payment of \$210,259 in underwriting fees, insurance and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the portions of the Water/Sewer System Revenue Bonds, Series 1999 and the Water/Sewer System Revenue Bonds, Series 2002 that were refunded. As a result, the portion of the Water/Sewer System Revenue Bonds, Series 1999 and the Water/Sewer System Revenue Bonds, Series 2002 that were refunded are considered to be defeased and the liability for those bonds has been removed from the Water/Sewer Proprietary Fund.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$642,152. This difference is being charged to operations through the year 2034. The City completed the advance refunding to reduce its total debt service payments over the next 6 years by \$9,212,277 which resulted in an economic gain (difference between the present values of the old debt and the new debt service payments) of \$209,734.

On August 4, 2005, the City issued \$27,180,000 in Water/Sewer System Revenue Refunding Bonds with an average interest rate of 4.32 percent to advance refund \$25,800,000 of outstanding Water/Sewer System Revenue Bonds, Series 1999 with an average interest rate of 5.21. The net proceeds of \$27,758,429 (after payment of \$496,236 in underwriting fees, insurance and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments for the Water/Sewer System Revenue Bonds, Series 1999. As a result, the Water/Sewer System Revenue Bonds, Series 1999 bonds are considered to be defeased and the liability for those bonds has been removed from the Water/Sewer Proprietary Fund. A portion (\$5,085,000) of the Water/Sewer System Revenue Bonds, Series 1999 was not refunded.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$2,785,028. This difference is being charged to operations through the year 2024. The City completed the advance refunding to reduce its total debt service payments over the next 19 years by \$1,057,504 and to obtain an economic gain (difference between the present values of the old debt and the new debt service payments) of \$1,383,192.

CITY OF JACKSON
Notes to Financial Statements
September 30, 2006

Note 4 – Detailed notes on all funds (Continued):

G. Long-term debt (Continued):

Revenue bonds outstanding, at September 30, 2006, were as follows (in thousands of dollars):

<u>Revenue Bonds:</u>	<u>Date of</u>	<u>Interest</u>	<u>Final</u>	<u>Issued</u>	<u>Outstanding</u>
Enterprise Funds:	<u>Obligation</u>	<u>Rate</u>	<u>Maturity</u>		
			<u>Date</u>		
Combined Water/Sewer System Bonds	07/07/99	5.00-6.75%	09/30/24	35,000	\$ 55
Combined Water/Sewer System Bonds Series 2002	09/01/02	3.00-5.50%	09/01/32	50,000	42,355
Water/Sewer Revenue Refunding 2003	02/15/03	4.00-5.25%	09/01/11	40,520	26,025
Water/Sewer Revenue Refunding 2004	10/22/04	3.00-5.00%	09/01/34	78,085	78,085
Water/Sewer Revenue Refunding 2005	07/01/05	3.00-5.00%	09/01/24	27,180	<u>27,180</u>
Total Revenue Bonds					<u>\$173,700</u>

3. Tax Increment Limited Obligation Bonds

The City issued \$1.650 million of tax increment limited obligation bonds in July 1996 to provide funds for the costs of constructing certain infrastructure improvements needed for the development of a retail shopping center. The City entered into an Interlocal Cooperation Agreement with Hinds County, Mississippi, to provide the pledge of certain ad valorem tax revenues for the payment of the principal and interest on the bonds. As a result, the bonds are not a general obligation of the City. Limited obligation bonds outstanding at September 30, 2006, are as follows (in thousands of dollars):

<u>Limited Obligation Bonds:</u>	<u>Date of</u>	<u>Interest</u>	<u>Final</u>	<u>Issued</u>	<u>Outstanding</u>
General Long-Term Debt:	<u>Obligation</u>	<u>Rate</u>	<u>Maturity</u>		
			<u>Date</u>		
Tax Increment Limited Obligation, 1995	04/01/95	8.90%	04/01/2006	\$ 1,650	\$ -
Tax Increment Financing (Metro Station Project) Bonds, 1996	07/01/96	7.25%	07/01/2008	1,650	<u>405</u>
Total Limited Obligation Bonds					<u>\$ 405</u>

4. Special Obligation Bonds

The City issued \$49.790 million of special obligation bonds in October 1997 to provide funds to make a loan to the City, the proceeds of which loan will be used by the City to fund a portion of the City's unfunded actuarial accrued liability (UAAL) in the City's Disability and Relief Retirement System. Special obligation bonds outstanding at September 30, 2005, are as follows (in thousands of dollars):

<u>Special Obligation Bonds:</u>	<u>Date of</u>	<u>Interest</u>	<u>Maturity</u>	<u>Issued</u>	<u>Outstanding</u>
General long-term debt:	<u>Obligation</u>	<u>Rate</u>	<u>Date</u>		
MS Development Bank Taxable Special Obligation Bonds, Series 1997	10/15/97	5.75-6.60%	7/01/2009	\$49,790	<u>\$ 17,850</u>
Total Special Obligation Bonds					<u>\$ 17,850</u>

CITY OF JACKSON
Notes to Financial Statements
September 30, 2006

Note 4 – Detailed notes on all funds (Continued):

G. Long-term debt (Continued):

5. Jackson Redevelopment Authority

Urban Renewal Bonds

Urban renewal bonds are issued to provide funds for various rehabilitation projects. The urban renewal bonds outstanding and net of unamortized bond discount of \$126,693 at September 30, 2006, were as follows (in thousands of dollars):

	<u>Date of Obligation</u>	<u>Interest Rate</u>	<u>Final Maturity Date</u>	<u>Issued</u>	<u>Outstanding</u>
<u>Urban Renewal Bonds:</u>					
Enterprise Funds:					
Urban Renewal Central Business District, 1986-A	08/01/86	7.20-10.25%	08/01/09	\$ 1,040	\$ 265
Urban Renewal Refunding, Series 1993-B	05/15/93	2.80-5.75%	07/01/08	6,515	1,185
Urban Renewal Refunding, Series 1995-A	06/01/95	4.00-7.00%	04/01/13	6,295	3,119
Urban Renewal Refunding Series 1997-A	10/01/97	4.00-5.00%	11/01/13	12,270	6,367
Urban Renewal Revenue Bonds, Series 1997	11/01/97	Variable	11/01/12	25,200	14,555
Urban Renewal Central Business District, 1998-A	09/01/98	4.50-6.375%	09/01/23	2,825	2,255
Urban Renewal Central Business District, 1998-B	09/01/98	6.50-8.50%	09/01/23	1,175	995
Urban Renewal Central Business District, 1998-C	09/01/98	6.50-8.50%	09/01/18	1,800	1,794
Urban Renewal Bonds Jackson Mall Area Project, 1998-A	11/01/98	4.10-5.70%	11/01/13	650	405
Urban Renewal Bond Central Business District, 2000-A	11/01/00	5.00-7.00%	11/01/25	2,250	2,060
Urban Renewal Bond Central Business District 2003-B	10/01/03	2.69%	10/01/06	4,450	<u>4,450</u>
Total Urban Renewal Bonds					<u>\$ 37,450</u>

CITY OF JACKSON
Notes to Financial Statements
September 30, 2006

Note 4 – Detailed notes on all funds (Continued):

G. Long-term debt (Continued):

6. A summary of long-term debt transactions for the primary government and for the component unit for the year ended September 30, 2006, was as follows (in thousands of dollars):

Governmental activities:	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bonds and loans payable:					
General obligation bonds	\$ 66,525	\$ -	\$ 7,810	\$ 58,715	\$ 8,215
Limited obligation bonds	820	-	415	405	195
Special obligation bonds	22,815	-	4,965	17,850	5,420
State issued bonds	1,826	-	400	1,426	285
State revolving loan MDA	632	-	30	602	34
Miss. Development Bank Loan	740	-	72	668	40
Less deferred amounts:					
For issuance discount	(426)	-	(55)	(371)	-
On refunding	1,401	-	-	1,401	-
For issuance premium	2,655	-	315	2,340	-
Total bonds payable	<u>96,988</u>	<u>-</u>	<u>13,952</u>	<u>83,036</u>	<u>14,189</u>
Capital leases	12,655	6,830	3,476	16,009	3,192
Claims and judgments	2,600	-	82	2,518	680
Workers' Compensation Benefits	3,790	300	-	4,090	1,690
Compensated absences	3,385	272	-	3,657	1,200
	<u>22,430</u>	<u>7,402</u>	<u>3,558</u>	<u>26,274</u>	<u>6,762</u>
Total Governmental Activity	<u>\$ 119,418</u>	<u>\$ 7,402</u>	<u>\$ 17,510</u>	<u>\$ 109,310</u>	<u>\$ 20,951</u>
Business-type activities:					
Bonds and loans payable:					
Revenue bonds	\$ 179,250	\$ -	\$ 5,550	\$ 173,700	\$ 6,030
Less deferred amounts:					
For issuance premiums	7,104	-	625	6,479	-
On refunding	(3,378)	-	(214)	(3,164)	-
Total bonds payable	<u>182,976</u>	<u>-</u>	<u>5,961</u>	<u>177,015</u>	<u>6,030</u>
Capital leases	1,417	667	705	1,379	535
State Revolving Loan (DEQ)	19,361	-	1,236	18,125	1,284
	<u>20,778</u>	<u>667</u>	<u>1,941</u>	<u>19,504</u>	<u>1,819</u>
Total Business-type activities	<u>\$ 203,754</u>	<u>\$ 667</u>	<u>\$ 7,902</u>	<u>\$ 196,519</u>	<u>\$ 7,849</u>
Component Unit – Jackson Redevelopment Authority					
Urban Renewal bonds	\$ 36,900	\$ -	\$ 4,135	\$ 32,765	\$ 4,015
Urban Renewal notes	4,461	4,450	4,461	4,450	-
Total Component Unit	<u>\$ 41,361</u>	<u>\$ 4,450</u>	<u>\$ 8,596</u>	<u>\$ 37,215</u>	<u>\$ 4,015</u>
Total Long-Term Debt	<u>\$ 364,533</u>	<u>\$ 12,519</u>	<u>\$ 34,008</u>	<u>\$ 343,044</u>	<u>\$ 32,815</u>

CITY OF JACKSON
Notes to Financial Statements
September 30, 2006

Note 4 – Detailed notes on all funds (Continued):

G. Long-term debt (Continued):

7. The City's legal debt margin for the issuance of general obligation bonds was \$99,279,390 at September 30, 2006.

8. Annual Maturities Requirements

The annual requirements to amortize all long-term debts outstanding, net of unamortized bond discount of \$96,685 for the component unit as of September 30, 2006, including interest, by source of retirement are as follows (in thousands of dollars):

Debt Service Fund (Special Tax Levy)

Fiscal Year	General Obligation Bonds		Total
	Interest	Principal	
2007	\$ 2,652	\$ 8,215	\$ 10,867
2008	2,276	8,120	10,396
2009	1,940	3,155	5,095
2010	1,825	3,260	5,085
2011	1,707	3,390	5,097
2012 – 2016	6,123	18,015	24,138
2017 – 2021	1,974	11,575	13,549
2021 – 2026	159	2,985	3,144
Total	<u>\$ 18,656</u>	<u>\$ 58,715</u>	<u>\$ 77,371</u>

CITY OF JACKSON
Notes to Financial Statements
September 30, 2006

Note 4 – Detailed notes on all funds (Continued):

G. Long-term debt (Continued):

Fiscal Year	Limited Obligation Bonds		Special Obligation Bonds		Total
	Interest	Principal	Interest	Principal	
2007	\$ 29	\$ 195	\$ 1,175	\$ 5,420	\$ 17,686
2008	15	210	817	6,000	17,438
2009	-	-	424	6,430	11,949
2010	-	-	-	-	5,085
2011	-	-	-	-	5,097
2012 – 2016	-	-	-	-	24,138
2017 – 2021	-	-	-	-	13,549
2022 – 2026	-	-	-	-	3,144
Total	<u>\$ 44</u>	<u>\$ 405</u>	<u>\$ 2,416</u>	<u>\$ 17,850</u>	<u>\$98,086</u>

General Fund (General Fund Revenues)

Fiscal Year	Jackson Redevelopment Authority Bonds		Obligation Under Capital Leases		Total
	Interest	Principal	Interest	Principal	
2007	\$ 290	\$ 950	\$ 607	\$ 3,192	\$ 5,039
2008	246	1,000	484	2,760	4,490
2009	198	1,050	382	1,904	3,534
2010	150	960	316	1,172	2,598
2011	102	1,005	268	1,219	2,594
2012 – 2016	63	1,540	662	4,706	6,971
2017 – 2021	-	-	66	1,056	1,122
Total	<u>\$ 1,049</u>	<u>\$ 6,505</u>	<u>\$ 2,785</u>	<u>\$ 16,009</u>	<u>\$26,348</u>

The City has unconditionally and irrevocably agreed to grant and contribute to the Jackson Redevelopment Authority from the General Fund of the City sums sufficient to pay the principal of and interest on the bonds issued by the Jackson Redevelopment Authority for urban renewal purposes, as the same shall mature and become due. The City has designated proceeds from Community Development Block Grants to service approximately 39% of the Jackson Redevelopment Authority bond requirements. Principal and interest maturities for 2006 were paid by contributions from the General Fund of \$1,927,268.

CITY OF JACKSON
Notes to Financial Statements
September 30, 2006

Note 4 – Detailed notes on all funds (Continued):

G. Long-term debt (Continued):

Enterprise Funds - Water/Sewage Disposal System Fund (Water/Sewer Revenue)

Revenue Bonds

<u>Fiscal Year</u>	<u>Interest</u>	<u>Principal</u>
2007	\$ 8,510	\$ 6,030
2008	8,212	6,325
2009	7,898	5,460
2010	7,617	6,965
2011	7,290	6,085
2012 – 2016	33,085	23,125
2017 – 2021	27,018	29,190
2022 – 2026	19,179	32,490
2027 – 2031	11,311	33,585
2032 – 2036	<u>2,484</u>	<u>24,445</u>
Total	<u>\$ 132,604</u>	<u>\$ 173,700</u>

Obligations Under
Capital Lease

<u>Fiscal Year</u>	<u>Interest</u>	<u>Principal</u>
2007	\$ 50	\$ 535
2008	29	347
2009	17	212
2010	8	124
2011	6	128
2012 – 2016	<u>2</u>	<u>33</u>
Total	<u>\$ 112</u>	<u>\$ 1,379</u>

State Revolving Loan

<u>Fiscal Year</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2007	\$ 650	\$ 1,284	\$ 17,059
2008	600	1,334	16,847
2009	547	1,387	15,521
2010	483	1,442	16,639
2011	435	1,499	15,443
2012 – 2016	1,178	6,968	64,390
2017 – 2021	315	3,597	60,120
2022 – 2026	10	614	52,293
2027 – 2031	-	-	44,896
2032 – 2036	-	-	26,930
Total	<u>\$4,218</u>	<u>\$ 18,125</u>	<u>\$330,138</u>

CITY OF JACKSON
Notes to Financial Statements
September 30, 2006

Note 4 – Detailed notes on all funds (Continued):

G. Long-term debt (Continued):

Jackson Redevelopment Authority (Parking Facility Revenues)

<u>Fiscal Year</u>	<u>Jackson Redevelopment Authority</u> <u>Urban Renewal Bonds</u>		<u>Total</u>
	<u>Interest</u>	<u>Principal</u>	
2007	\$ 68	\$ 575	\$ 643
2008	35	610	645
Total	<u>\$ 103</u>	<u>\$ 1,185</u>	<u>\$ 1,288</u>

Pursuant to a long-term lease agreement between the City and JRA dated May 1, 1980, the City agreed to pay certain basic rentals to JRA related to JRA's Urban Renewal Parking Facility Bonds. The City's requirement to pay rentals under the lease is limited to the amount sufficient to pay principal and interest on the bonds, reduced by the amounts accruing to JRA from operations of the facility and bond reserve accounts provided for such purposes. During 2006 funds were not needed from the City's General Fund for interest maturities.

Jackson Redevelopment Authority (Urban Renewal Project Revenues)

<u>Fiscal Year</u>	<u>Jackson Redevelopment Authority</u> <u>Notes Payable, Urban Renewal</u> <u>Notes and Bonds</u>		<u>Total</u>
	<u>Interest</u>	<u>Principal</u>	
2007	\$ 1,319	\$ 2,490	\$ 3,809
2008	1,280	2,645	3,925
2009	1,056	7,240	8,296
2010	826	2,865	3,691
2011	684	3,030	3,714
2012 – 2016	1,622	7,895	9,517
2017 – 2021	692	2,050	2,742
2022 – 2026	159	1,310	1,469
2026 – 2031	-	-	-
Total	<u>\$ 7,638</u>	<u>\$ 29,525</u>	<u>\$ 37,163</u>

There are a number of requirements contained in various revenue bond ordinances. The City is in compliance with all significant requirements.

CITY OF JACKSON
Notes to Financial Statements
September 30, 2006

Note 4 – Detailed notes on all funds (Continued):

G. Long-term debt (Continued):

9. Annual Maturities Requirements

The annual requirements to amortize all debt outstanding for the City and the component unit as of September 30, 2006, including interest of \$160,834 are as follows (in thousands of dollars):

<u>Fiscal Year</u>	<u>City of Jackson</u>	<u>Jackson Redevelopment Authority</u>
2007	\$ 38,545	\$ 5,692
2008	37,529	5,816
2009	29,756	9,544
2010	23,212	4,801
2011	22,027	4,820
2012 and thereafter	<u>295,949</u>	<u>15,332</u>
 Total	 <u>\$ 447,018</u>	 <u>\$ 46,005</u>

10. Industrial Revenue Bonds

Long-term debt does not include amounts for Industrial Revenue Bonds issued under authority of Section 57-3-1 through Section 57-3-33 of the Mississippi Code of 1972, as annotated. Industrial Revenue Bonds are issued to provide funds for direct financing leases to aid industries which manufacture, process, or assemble agricultural or manufactured products or any industry engaged in storing or warehousing products of agriculture, mining, or industry. These leases are administered by trustees with terms that provide for transfer of title of property after all bonds are paid in full.

Bonds issued under provisions of the above-mentioned law do not constitute an indebtedness of the municipality within the meaning of any state constitutional provision or limitation, or never give rise to the pecuniary liability of the municipality or a charge against its general credit or taxing powers, and such fact is plainly stated in the face of the bonds.

CITY OF JACKSON
Notes to Financial Statements
September 30, 2006

Note 4 – Detailed notes on all funds (Continued):

G. Long-term debt (Continued):

<u>Fiscal Year</u>	<u>Interest</u>	<u>Industrial Revenue Bonds Principal</u>	<u>Total</u>
2007	\$ 256	\$ -	\$ 256
2008	1,280	-	1,280
2009	<u>1,280</u>	<u>3,650</u>	<u>4,930</u>
Total	<u>\$ 2,816</u>	<u>\$ 3,650</u>	<u>\$ 6,466</u>

11. Interest Rate Swap

On March 31, 2004, the City and the Mississippi Development Bank (collectively “the City”) executed a confirmation with RFPC, LLC (a subsidiary of Rice Financial Products Company) (the “2005 Swap Counterparty”), in connection with the execution of an Interest Rate Swap Agreement (the “2005 Swap Agreement”) in order to reduce the debt service costs associated with certain outstanding obligations of the City. The swap was done in conjunction with the Mississippi Development Bank Special Obligation Bonds Series 2002 (Jackson, Mississippi Water and Sewer System Revenue Bond Project) issued to fund certain water and sewer improvements for the City. The notional amount of the swap is \$49,105,000. The City received a savings pre-payment of \$236,349 from the 2004 Swap Counterparty.

Under the 2004 Swap Agreement the City receives a fixed rate from the 2004 Swap Counterparty, and in return pays a fixed rate less an Adjustment Factor. The Adjustment Factor exposes the City to changes in the ratio between the tax-exempt BMA Index and LIBOR. Payments on the swap are exchanged semiannually. The swap will become effective on April 1, 2005 and will terminate on April 1, 2024. An early termination of the swap transaction may result in the City making or receiving a termination payment based on the prevailing market interest rates at the time of such termination. As of September 30, 2006, the fair market value of the transaction was a liability of \$2,405,688 for the City, which is not recorded, in the financial statements.

Risks Associated with the 2005 Swap Agreement

Credit Risk – The City’s swap relies on the performance of the 2004 Swap Counterparty. The City is exposed to the risk that the 2004 Swap Counterparty is unable to fulfill its obligations to the City. The obligations of the 2004 Swap Counterparty to the City are guaranteed by a third party guarantor that maintains credit ratings of Aaa/AAA/AAA by Moody’s Investors Service, Standard & Poor’s and Fitch, respectively.

Basis Risk – The City pays fixed rates on the Mississippi Development Bank Special Obligation Bonds Series 2002 (Jackson, Mississippi Water and Sewer System Revenue Bond Project).

CITY OF JACKSON
Notes to Financial Statements
September 30, 2006

Note 4 – Detailed notes on all funds (Continued):

G. Long-term debt (Continued):

Tax Risk – The City is exposed to changes in relationships between tax-exempt and taxable interest rates that may be affected by changes in the marginal tax rate, the elimination of tax preferences or other major changes to current tax law including, but not limited to, implementation of a flat tax or value-added tax.

Termination Risk – The 2004 Swap Agreement does not contain any extraordinary termination events or triggers that would expose the City to significant termination risk. If the 2004 Swap Counterparty fails to meet its obligations to the City, these obligations will be met by a third party guarantor that maintains credit ratings of Aaa/AAA/AAA by Moody's Investors Service, Standard & Poor's and Fitch, respectively. If the third party guarantor suffers a loss of creditworthiness, the 2004 Swap Counterparty shall find an acceptable replacement guarantor. If such replacement guarantor is not available or if the City fails to meet its obligations to the 2004 Swap Counterparty, the termination provisions in the 2004 Swap Agreement will apply. The City may be liable for a payment equal to the fair market value of the swap if a termination occurs prior to April 1, 2024 and that fair market value is negative.

Note 5 – Other Information

A. Risk Management

1. Workers Compensation Benefits

The City maintains a self-funded workers compensation plan accounted for in the General Fund. Benefits paid to employees during fiscal year 2006 were \$1,682,212.

Estimates of the liability for unpaid claims are actuarially determined based on observed patterns of claims payments and case reserves development. Liabilities are based on the ultimate costs of settling claims, including inflation and other factors, and includes provisions for estimated claims adjustment expenses.

2. Unemployment Benefits

The City also maintains an Unemployment Compensation Revolving Fund (Trust Fund) established pursuant to state law. In addition to funding all valid claims, the City is required to maintain the balance in the fund at not less than 2% of the first \$7,000 paid each employee during the preceding year. As of September 30, 2006, the required amounts were funded. Claims totaled \$165,473 during fiscal year 2006. Estimates of the liability for unpaid claims are based on patterns of claims payments.

CITY OF JACKSON
Notes to Financial Statements
September 30, 2006

Note 5 – Other Information (Continued):

A. Risk Management (Continued):

3. Group Benefits

Additionally, the City maintains the Employees' Group Benefit Fund (Internal Service Fund) to account for the accumulation of revenues, principally contributions from the City of Jackson and employees to be used to fund future liabilities and current payment of employer medical claims and related administration expenditures of the City's group benefit plan. Revenues totaled \$8,623,939 and employee benefit costs were \$11,966,399 during fiscal year 2006. Claims incurred but not reported at September 30, 2005, in the Employees' Group Benefit Fund are provided for in the fund balance of that fund based primarily upon an actuary's estimate.

4. Tort Liability

In compliance with the Tort Claims Act, Chapter 46 of Title 11 and as amended by the 1993 Legislature, Section 11-46-17(3) requires all municipalities from and after October 1, 1993, to obtain such policies of insurance, establish self-insurance reserves, or provide a combination of insurance and reserves necessary to cover all risks of claims and suits for which the City of Jackson may be liable under the Tort Claims Act.

In order to assure compliance with the Tort Claims Act, House Bill 417 established the Mississippi Tort Claims Board. Municipalities are required to submit plans of insurance, self-insurance and or reserves to the Tort Claims Board for approval.

Municipalities may comply with the requirements of the Tort Claims Act by one of the following methods: (1) Purchase of liability insurance, (2) Pooling of two or more municipalities or other political subdivision to purchase liability insurance or to self insure, (3) Self-insure with the establishment of a self-insurance reserve fund.

The City of Jackson is in compliance by using method number three as indicated above. The 2005 fiscal year budget had the monies necessary to establish the reserve fund at the required funding level. Estimates of the liability for unpaid claims are actuarially determined.

For the past three years, the settlement amount for claims against the City has not exceeded the amount of insurance coverage maintained by the City.

The following table provides a reconciliation of changes in the liabilities for claims for years ended September 30, 2006 and 2005:

	Employee Benefit Fund	Tort Claims	Unemployment Benefits Fund	Workers' Compensation Benefits
2006:				
Beginning Balance	\$ 547,858	\$ 2,600,000	\$ -	\$ 3,790,000
Current Year Claims / Changes in Estimates	11,966,399	71,003	165,473	1,982,212
Claims Payments	13,101,615	153,438	165,473	1,682,212
Ending Balance	<u>\$ 587,358</u>	<u>\$ 2,517,565</u>	<u>\$ -</u>	<u>\$ 4,090,000</u>
2005:				
Beginning Balance	\$ 528,276	\$ 830,000	\$ 4,247	\$ 3,860,000
Current Year Claims / Changes in Estimates	11,749,749	2,792,341	88,645	3,257,107
Claims Payments	12,825,883	1,022,341	92,892	3,327,107
Ending Balance	<u>\$ 547,858</u>	<u>\$ 2,600,000</u>	<u>\$ -</u>	<u>\$ 3,790,000</u>

CITY OF JACKSON
Notes to Financial Statements
September 30, 2006

Note 5 – Other Information (Continued):

B. Commitments:

During fiscal year 1993, the City entered into a revolving loan agreement with the Department of Environmental Quality (DEQ) for loans to the Jackson Water/Sewage Disposal System Fund. The City has pledged sales tax reimbursements from the State of Mississippi to repay the DEQ loans. The outstanding balance of the revolving loans at September 30, 2006, was \$18,125,114.

C. Contingent liabilities:

Litigation

The City is defendant in a number of legal actions seeking actual and punitive damages. Contingencies totaling \$2,517,565 for which it is probable a loss has been incurred and are subject to reasonable estimation are recognized in the financial statements in the governmental funds. An additional \$1,400,000 has been designated for contingencies relating to litigation for which the outcome is uncertain. The City is vigorously defending all matters of litigation and believes there will be no material adverse financial effect.

D. Joint ventures

The following provides the summary financial information of the Jackson/Hinds Library System as of September 30, 2006 (in thousands of dollars):

Jackson/Hinds Library System

Total assets	<u>\$ 1,597</u>	
Total liabilities	<u>\$ 344</u>	
Total fund equity	<u>\$ 1,253</u>	
Total revenues	<u>\$ 3,953</u>	(1)
Total expenditures	<u>\$ 3,859</u>	
Net increase (decrease) in fund balance	<u>\$ 94</u>	
 Total debt	 <u>\$ -</u>	

(1) The percentage share of the joint venture applicable to the City of Jackson is fifty percent (50%).

CITY OF JACKSON
Notes to Financial Statements
September 30, 2006

Note 5 – Other Information (Continued):

E. Employees' Retirement System:

The City of Jackson participates in two retirement systems administered by the Public Employees' Retirement System of Mississippi (PERS). Both systems are defined benefit plans and include a multi-employer, cost-sharing pension plan and an agent multi-employer pension plan as described below:

Public Employees' Retirement System

1. Plan Description and Provisions

Substantially all City of Jackson full-time employees participate in PERS, a multi-employer, cost-sharing, defined benefit public employee pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by Section 21-29-201 of the Mississippi Code of 1942 as annotated, and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employee Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling (601) 359-3589 or 1-800-444-PERS.

2. Description of Funding Policy

PERS members are required to contribute 7.25% of their annual covered salary and the City of Jackson is required to contribute at an actuarially determined rate. The current rate is 11.3% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature.

Annual Pension Cost. For 2006, the City's annual pension cost of \$3,309,111 for PERS was equal to the City's required and actual contributions. The required contribution was determined as part of the September 30, 2005, actuarial valuation using the entry age actuarial cost method. PERS's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at September 30, 2006 was 28 years.

Three-Year Trend Information for PERS
(Dollar amounts in Thousands)

Fiscal Year <u>Funding</u>	Annual Pension <u>Cost (APC)</u>	Percentage Of APC <u>Contributed</u>
9/30/04	\$ 6,640	100%
9/30/05	7,097	100%
9/30/06	7,340	100%

CITY OF JACKSON
Notes to Financial Statements
September 30, 2006

Note 5 – Other Information (Continued):

E. Employees' Retirement System:

Disability and Relief- Municipal Retirement Systems Pension Plan

1. Plan Description

The City of Jackson contributes to the Municipal Retirement Systems and Fire and Police Disability and Relief Fund (MRS), an agent multiple-employer defined benefit pension plan administered by the Public Employees' Retirement System of Mississippi. The City's uniformed police officers and firefighters employed prior to April 1, 1976, participate in MRS. Firefighters and police officers employed subsequent to April 1, 1976, are members of the Public Employees' Retirement System of the State as previously described. MRS provides retirement and disability benefits and death benefits to plan members and beneficiaries. Benefit provisions are established by Sections 21-29, Articles 1, 3, 5 and 7, Mississippi Code Ann. (1972) and annual local and private legislation. Legislation may be amended only by the State of Mississippi Legislature. At September 30, 2005, the date of the most recent actuarial verification, there were 11 participating municipal employers and 712 retired participants and beneficiaries currently receiving benefits. PERS issues a publicly available financial report that includes financial statements and required supplementary information for MRS. That information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling (601) 359-3589 or 1-800-444-PERS.

2. Basis of Accounting

MRS uses the accrual basis of accounting. Employee and employer contributions are recognized as revenue in the period in which employee services are performed, investment income is recognized when earned. Expenses, including benefits and refunds paid, are recognized when incurred. Investments for MRS are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Corporate bonds are valued based on yields currently available on comparable securities from issuers of similar credit rating. Mortgage securities are valued on the basis of future principal and interest payments and counted at prevailing interest rates for similar instruments. Short-term investments are reported at market value when published prices are available, or at cost plus accrued interest, which approximates market or fair value. For individual investments where no readily ascertainable market value exists, the Public Employees' Retirement System, in consultation with their investment advisors and custodial bank, has determined the fair values.

3. Funding Status and Progress

The actuarial accrued liability is a measure intended to (i) help users assess the plan's funding status on a going-concern basis, and (ii) assess progress being made in accumulating sufficient assets to pay benefits when due. For the years ending September 30, 1994, and prior, the actuarial value of assets was equal to book value. Beginning with the September 30, 1995, actuarial valuation, the actuarial value of assets will be determined on a market related basis that recognizes 20% of the previously unrecognized and unanticipated gains and losses (both realized and unrealized). Allocation of the actuarial present value of projected benefits between past and future service was based on service using the entry age actuarial cost method. Assumptions, including projected pay increases, were the same as used to determine the system's annual required contribution between entry age and assumed exit age. Entry age was established by subtracting credited service from current age on the valuation date.

CITY OF JACKSON
Notes to Financial Statements
September 30, 2006

Note 5 – Other Information (Continued):

E. Employees' Retirement System:

In 1997, the City issued \$49,790,000 of General Obligation Bonds and contributed the proceeds to the MRS plan to provide for a similar reduction in the unfunded actuarial accrued liability. As a result of this contribution, the City has not recognized a net pension obligation (NPO) in its financial statements.

The entry age actuarial accrued liability was determined as part of an actuarial valuation of the system (but not used for funding purposes) as of September 30, 2006. Significant actuarial assumptions used in determining the entry age actuarial accrued liability include: (a) a rate of return on the investment of present and future assets of 8% per year compounded annually, (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation, and (c) additional projected salary increases of 1% per year compounded annually, attributable to seniority/merit. At September 30, 2006, the unfunded actuarial accrued liability was determined as follows:

<u>Actuarial Accrued Liability</u>	<u>(In Thousands of Dollars)</u>
Retirees and beneficiaries currently receiving benefits	\$136,174
Active members	2,317
Vested terminated members not yet receiving benefits	<u> -</u>
Total actuarial accrued liability	138,491
Actuarial Value of Assets	<u>101,878</u>
Unfunded actuarial accrued liability	<u>\$ 36,613</u>

During the year ended September 30, 2006 the plan experienced an estimated net change of \$(2,800) in the Actuarial Accrued Liability.

4. Contributions Required and Contributions Made

The funding policy for MRS provides for periodic employer contributions at actuarially determined rates that are designed to accumulate sufficient assets to pay benefits when due. In developing the annual required contribution shown below, the normal cost and actuarial accrued liability are determined using the entry age actuarial cost method. Unfunded actuarial accrued liability is being amortized on an open basis as a level dollar amount over a period of 40 years. The City's active MRS members contribute ten percent of their base salaries to the plan. This difference has historically resulted in the actual contribution being less than the annual required contribution.

During the year ended September 30, 2006, contributions totaling approximately \$235,287 (\$200,600 employer and \$34,687 employee) were made in accordance with contribution requirements determined by the actuarial valuation of the system as of September 30, 2005. The employer contributions consisted of approximately \$47,807 for normal cost and administrative expenses and \$152,793 for amortization of the unfunded actuarial accrued liability. In addition to the above contributions, the City has levied a special tax for the retirement of bonds issued to provide funding for City's pension obligation for the year ended September 30, 2006. This consisted of 5.56 mills on property valuation used to pay debt service of \$6,460,115.

CITY OF JACKSON
Notes to Financial Statements
September 30, 2006

Note 5 – Other Information (Continued):

4. Contributions Required and Contributions Made (Continued):

Three-Year Trend Information for MRS
(Dollar amounts in Thousands)

<u>Fiscal</u> <u>Year</u> <u>Funding</u>	<u>Annual</u> <u>Pension</u> <u>Cost (APC)</u>	<u>Percentage</u> <u>Of APC</u> <u>Contributed</u>	<u>Net Pension</u> <u>Obligation</u> <u>(NPO)</u>
9/30/04	\$ 1,660	12.3%	\$ -
9/30/05	2,226	10.0%	-
9/30/06	3,029	6.6%	-

**REQUIRED SUPPLEMENTARY
INFORMATION**

**CITY OF JACKSON
 Required Supplementary Information
 Employees' Retirement Systems
 Schedule of Funding Progress
 September 30, 2006**

DISABILITY AND RELIEF - MUNICIPAL RETIREMENT SYSTEMS PENSION PLAN

(Dollar amounts in Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunde d AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percenta ge Of Covered Payroll [(b-a)/c]
9/30/2004	119,716	144,490	24,774	82.9	683	3,627.2
9/30/2005	107,549	141,291	33,742	76.1	354	9,531.6
9/30/2006	101,878	138,491	36,613	73.6	319	11,477.4

**NON-MAJOR
GOVERNMENTAL FUNDS**

Nonmajor Governmental Funds

Special Revenue Funds

Parks and Recreation Fund

To account for the operation and maintenance of all City-owned parks. Financing is provided by a 2-Mill annual property tax levy, admissions, fees and concessions. Appropriations are made from General Fund sources to the extent that such tax levy and other revenues are not sufficient to finance expenditures.

Federal Grant Fund

To account for proceeds of various federal grant programs other than those grants for Enterprise Fund or Capital Projects Fund items.

State Grant Fund

To account for proceeds of state grants or loans other than those grant or loans for Enterprise Fund or Capital Projects Fund items.

Disability and Relief Fund

To account for the receipt of revenues, principally tax levies, and payments of bond principal and interest related to bonds issued to provide reductions in the accrued actual liability related to pensions of retired and disabled police and firemen employed prior to April 1, 1976.

Capital Projects Funds

Industrial Park Bond Fund, 1982-A

To account for proceeds of general obligation bonds of \$3,000,000 to establish an industrial park.

Industrial Park Bond Fund, 1986-A

To account for proceeds of general obligation bonds of \$4,500,000 for public works improvements in an industrial park.

1988 Construction Bond Fund

To account for proceeds of general obligation bonds of \$43,325,000 issued to finance certain projects including constructing and improving streets, storm drainage systems, parks and municipal buildings, and purchasing fire fighting equipment.

Special Assessment Bond Fund 1992

To account for proceeds of general obligation bonds of \$1,425,000 issued to finance certain street improvements and other improvements and related facilities.

G.O. Capital Improvement Fund 1994

To account for proceeds of general obligation bonds of \$7,850,000 issued to finance the improvement and extension of the storm drainage system of the city, the construction, improvement or paving of streets, sidewalks and walkways and the purchase of land therefore and the purchase of firefighting equipment and apparatus, the construction of housing for the same and the purchase of land there

1996 Tax Increment Limited Obligation Metro Station Construction

To account for proceeds of general obligation bonds of \$1,650,000 issued to finance the costs of constructing various infrastructure improvements including, but not limited to, the construction and reconstruction of streets and utilities and the acquisition of land in connection therewith and other cost incidental to the construction.

**City of Jackson
Combining Balance Sheet
Nonmajor Governmental Funds
As of September 30, 2006**

Special Revenue

	<u>Parks and Recreation</u>	<u>Federal Grant</u>	<u>State Grant</u>	<u>Disability and Relief</u>	<u>Total</u>
ASSETS					
Cash and Cash Equivalent	\$ 254,115	\$ 595,280	\$ -	\$ 382,922	\$ 1,232,317
Accounts Receivable	-	-	-	47,499	47,499
Other Receivable	2,151,162	-	-	5,802,193	7,953,355
Intergovernmental Receivable	410	906,134	642,703	-	1,549,247
Total Current Asset	<u>\$ 2,405,687</u>	<u>\$ 1,501,414</u>	<u>\$ 642,703</u>	<u>\$ 6,232,614</u>	<u>\$ 10,782,418</u>
LIABILITIES					
Current Liabilities:					
Accounts Payable	\$ 7	\$ 373,499	\$ 691,484	\$ -	\$ 1,064,990
Contracts Payable	83,335	-	-	-	83,335
Unearned Revenue	2,144,558	682,029	3,529	5,832,984	8,663,100
Other Liabilities	9,829	8,960	-	-	18,789
Due to other funds	-	200,000	10,838	-	210,838
Total liabilities	<u>2,237,729</u>	<u>1,264,488</u>	<u>705,851</u>	<u>5,832,984</u>	<u>10,041,052</u>
FUND BALANCES					
Unrestricted	167,958	236,926	(63,148)	399,630	741,366
Total fund balances	<u>167,958</u>	<u>236,926</u>	<u>(63,148)</u>	<u>399,630</u>	<u>741,366</u>
Total Liabilities and Fund balances	<u>\$ 2,405,687</u>	<u>\$ 1,501,414</u>	<u>\$ 642,703</u>	<u>\$ 6,232,614</u>	<u>\$ 10,782,418</u>

The notes to the financial statements are an integral part of this statement.

Capital Projects

<u>1982 Industrial Park Bond</u>	<u>1986 Industrial Park Bond</u>	<u>1988 Construction Bond</u>	<u>1992 Special Assessment Bond</u>	<u>1994 GO Bond Capital Improvement</u>	<u>1996 Metro Station</u>	<u>Total</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 58,174	\$ 1,732	\$ 54,839	\$ 1,948	\$ 133,435	\$ 11,416	\$ 261,544	\$ 1,493,861
-	-	-	-	-	-	-	47,499
-	-	-	-	-	-	-	7,953,355
-	-	-	-	-	-	-	1,549,247
<u>\$ 58,174</u>	<u>\$ 1,732</u>	<u>\$ 54,839</u>	<u>\$ 1,948</u>	<u>\$ 133,435</u>	<u>\$ 11,416</u>	<u>\$ 261,544</u>	<u>\$ 11,043,962</u>
\$ 5,826	\$ -	\$ 270	\$ -	\$ 13,838	\$ -	\$ 19,934	\$ 1,084,924
-	-	-	-	-	-	-	83,335
-	-	-	-	-	-	-	8,663,100
-	-	-	-	-	-	-	18,789
-	-	-	-	-	-	-	210,838
<u>5,826</u>	<u>-</u>	<u>270</u>	<u>-</u>	<u>13,838</u>	<u>-</u>	<u>19,934</u>	<u>10,060,986</u>
52,348	1,732	54,569	1,948	119,597	11,416	241,610	982,976
<u>52,348</u>	<u>1,732</u>	<u>54,569</u>	<u>1,948</u>	<u>119,597</u>	<u>11,416</u>	<u>241,610</u>	<u>982,976</u>
<u>\$ 58,174</u>	<u>\$ 1,732</u>	<u>\$ 54,839</u>	<u>\$ 1,948</u>	<u>\$ 133,435</u>	<u>\$ 11,416</u>	<u>\$ 261,544</u>	<u>\$ 11,043,962</u>

City of Jackson
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the year ended September 30, 2006

	<u>Special Revenue</u>				<u>Total</u>
	<u>Parks and Recreation</u>	<u>Federal Grant</u>	<u>State Grant</u>	<u>Disability and Relief</u>	
REVENUES					
General property taxes	\$ 2,101,785	\$ -	\$ -	\$ 5,892,909	\$ 7,994,694
Intergovernmental	194,317	6,549,218	1,429,070	188,520	8,361,125
Admissions, fees, rentals and concessions	369,356	-	-	363	369,719
Interest	23,088	24,016	724	78,041	125,869
Other	8,323	247,434	-	34,687	290,444
Total revenues	<u>2,696,869</u>	<u>6,820,668</u>	<u>1,429,794</u>	<u>6,194,520</u>	<u>17,141,851</u>
EXPENDITURES					
Current Operations:					
Personnel Services	3,767,553	2,905,397	95,850	-	6,768,800
Supplies	740,197	688,237	111,677	-	1,540,111
Other Services and Charges	1,376,617	3,387,957	134,934	154,247	5,053,755
Capital Outlay	274,101	665,669	1,109,742	-	2,049,512
Debt Service:					
Principal	-	-	-	4,965,000	4,965,000
Interest and service charges	-	-	-	1,496,119	1,496,119
Total expenditures	<u>6,158,468</u>	<u>7,647,260</u>	<u>1,452,203</u>	<u>6,615,366</u>	<u>21,873,297</u>
Excess (deficiency) of revenues over expenditures	<u>(3,461,599)</u>	<u>(826,592)</u>	<u>(22,409)</u>	<u>(420,846)</u>	<u>(4,731,446)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in:					
General Fund	3,282,000	768,634	15,844	-	4,066,478
Transfers out:					
Enterprise Fund	-	(268,000)	-	-	(268,000)
Proceeds from capital leases	47,094	-	-	-	47,094
Total other financing sources (uses)	<u>3,329,094</u>	<u>500,634</u>	<u>15,844</u>	<u>-</u>	<u>3,845,572</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	<u>(132,505)</u>	<u>(325,958)</u>	<u>(6,565)</u>	<u>(420,846)</u>	<u>(885,874)</u>
Fund balances at beginning of year	<u>300,463</u>	<u>562,884</u>	<u>(56,583)</u>	<u>820,476</u>	<u>1,627,240</u>
Fund balances at end of year	<u>\$ 167,958</u>	<u>\$ 236,926</u>	<u>\$ (63,148)</u>	<u>\$ 399,630</u>	<u>\$ 741,366</u>

The notes to the financial statements are an integral part of this statement.

Capital Projects

1982 Industrial Park Bond	1986 Industrial Park Bond	1988 Construction Bond	1992 Special Assesment Bond	1994 GO Bond Capital Improvement	1996 Metro Station	Total	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,994,694
-	-	-	-	-	-	-	8,361,125
-	-	-	-	-	-	-	369,719
2,200	-	7,853	-	3,856	-	13,909	139,778
(15,685)	-	-	-	-	-	(15,685)	274,759
<u>(13,485)</u>	<u>-</u>	<u>7,853</u>	<u>-</u>	<u>3,856</u>	<u>-</u>	<u>(1,776)</u>	<u>17,140,075</u>
-	-	-	-	-	-	-	6,768,800
-	-	-	-	-	-	-	1,540,111
29,668	-	272,854	-	2,221	(73,054)	231,689	5,285,444
-	-	-	-	-	-	-	2,049,512
-	-	-	-	-	-	-	4,965,000
-	-	-	-	-	-	-	1,496,119
<u>29,668</u>	<u>-</u>	<u>272,854</u>	<u>-</u>	<u>2,221</u>	<u>(73,054)</u>	<u>231,689</u>	<u>22,104,986</u>
<u>(43,153)</u>	<u>-</u>	<u>(265,001)</u>	<u>-</u>	<u>1,635</u>	<u>73,054</u>	<u>(233,465)</u>	<u>(4,964,911)</u>
-	-	-	-	-	-	-	4,066,478
-	-	-	-	-	-	-	(268,000)
-	-	-	-	-	-	-	47,094
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,845,572</u>
(43,153)	-	(265,001)	-	1,635	73,054	(233,465)	(1,119,339)
95,501	1,732	319,570	1,948	117,962	(61,638)	475,075	2,102,315
<u>\$ 52,348</u>	<u>\$ 1,732</u>	<u>\$ 54,569</u>	<u>\$ 1,948</u>	<u>\$ 119,597</u>	<u>\$ 11,416</u>	<u>\$ 241,610</u>	<u>\$ 982,976</u>

City of Jackson
Debt Service Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended September 30, 2006

	<u>Budgeted Amounts</u>			Variance with Final Budget- Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	
REVENUES				
General property taxes				
Current realty taxes	\$ 5,451,150	\$ 5,325,113	\$ 5,810,841	\$ 485,728
Current personal taxes	2,911,411	2,851,160	2,650,409	(200,751)
Delinquent taxes	60,000	60,000	173,033	113,033
Automobile ad valoren taxes	1,317,645	1,317,645	1,457,761	140,116
Homestead exemption	314,000	314,000	322,791	8,791
Interest	25,000	30,397	224,848	194,451
Special assessments	-	-	14,072	14,072
Other revenues	80,000	411,465	691,689	280,224
Total revenues	<u>10,159,206</u>	<u>10,309,780</u>	<u>11,345,444</u>	<u>1,035,664</u>
EXPENDITURES				
General obligation bonds				
Principal	7,705,000	7,810,000	7,810,000	-
Interest	3,128,368	3,023,368	3,018,869	4,499
Bank service charge	32,500	32,500	3,585	28,915
Tax Increment LO Bds-Junc. 95 Bonds Funds				
Principal	235,000	235,000	235,000	-
Interest	10,458	20,915	20,915	-
Bank service charge	5,000	5,000	125	4,875
Tilo 96 Metro Station Bond Funds				
Principal	180,000	180,000	180,000	-
Interest	42,414	42,414	42,413	1
Bank service charge	5,000	5,000	1,500	3,500
Other	-	283,703	289,396	(5,693)
Total expenditures	<u>11,343,740</u>	<u>11,637,900</u>	<u>11,601,803</u>	<u>36,097</u>
Deficiency of revenues over (under) expenditures	(1,184,534)	(1,328,120)	(256,359)	(1,071,761)
OTHER FINANCING SOURCES(USES)				
Net change in fund balances	(1,184,534)	(1,184,534)	(256,359)	(928,175)
Fund balances at beginning of year	1,785,007	1,785,007	1,785,008	-
Fund balances at end of year	<u>\$ 600,473</u>	<u>\$ 600,473</u>	<u>\$ 1,528,649</u>	<u>\$ (928,175)</u>

City of Jackson
Improvement Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended September 30, 2006

	<u>Budgeted Amounts</u>			Variance with Final Budget- Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	
REVENUES				
General property taxes	\$ 1,070,000	\$ 1,070,000	\$ 810,822	\$ (259,178)
Intergovernmental Revenue	6,835,098	9,672,995	5,929,473	\$ (3,743,522)
Interest	-	-	56,601	\$ 56,601
Other revenues	950,374	670,191	962,744	\$ 292,553
Total revenues	<u>8,855,472</u>	<u>11,413,186</u>	<u>7,759,640</u>	<u>\$ (3,653,546)</u>
EXPENDITURES				
Current Operations				
Personnel services	-	5,000	14,229	(9,229)
Supplies	99,800	99,900	8,299	91,601
Other Services and Charges	10,478,128	13,309,229	6,587,977	6,721,252
Capital Outlay	41,600	43,296	-	43,296
Total expenditures	<u>10,619,528</u>	<u>13,457,425</u>	<u>6,610,505</u>	<u>6,846,920</u>
Deficiency of revenues over (under) expenditures	(1,764,056)	(2,044,239)	1,149,135	(3,193,374)
OTHER FINANCING SOURCES(USES)				
Transfers in	1,288,890	1,144,239	50,000	\$ (1,094,239)
Proceeds from long term debt	-	900,000	-	\$ 900,000
Total other financing sources and uses	<u>1,288,890</u>	<u>2,044,239</u>	<u>50,000</u>	<u>\$ 1,994,239</u>
Net change in fund balances	(475,166)	-	1,199,135	(1,199,135)
Fund balances at beginning of year	2,853,759	2,853,759	2,853,759	-
Fund balances at end of year	<u>\$ 2,378,593</u>	<u>\$ 2,853,759</u>	<u>\$ 4,052,894</u>	<u>\$ (1,199,135)</u>

City of Jackson
1998 GO Bond Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended September 30, 2006

	<u>Budgeted Amounts</u>			Variance with Final Budget- Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	
REVENUES				
Intergovernmental Revenue	\$ 245,711	\$ -	\$ -	\$ -
Interest	3,672	188,000	204,986	16,986
Total revenues	<u>249,383</u>	<u>188,000</u>	<u>204,986</u>	<u>16,986</u>
EXPENDITURES				
Current Operations				
Personnel services	20,000	-	-	-
Supplies	10,217	217	-	217
Other services and charges	9,455,810	7,870,118	4,662,671	3,207,447
Total expenditures	<u>9,486,027</u>	<u>7,870,335</u>	<u>4,662,671</u>	<u>3,207,664</u>
Deficiency of revenues over (under) expenditures	<u>(9,236,644)</u>	<u>(7,682,335)</u>	<u>(4,457,685)</u>	<u>3,224,650</u>
Net change in fund balances	(9,236,644)	(7,682,335)	(4,457,685)	3,224,650
Fund balances at beginning of year	<u>7,682,335</u>	<u>7,682,335</u>	<u>7,682,335</u>	<u>-</u>
Fund balances at end of year	<u>\$ (1,554,309)</u>	<u>\$ -</u>	<u>\$ 3,224,650</u>	<u>\$ 3,224,650</u>

City of Jackson
2003 GO Public Improvement Bond Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended September 30, 2006

	<u>Budgeted Amounts</u>			Variance with Final Budget- Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	
REVENUES				
Intergovernmental Revenue	\$ 1,529,267	\$ 1,969,267	\$ 25,281	\$ (1,943,986)
Interest	6,228	252,048	437,408	185,360
Total revenues	<u>1,535,495</u>	<u>2,221,315</u>	<u>462,689</u>	<u>(1,758,626)</u>
EXPENDITURES				
Current Operations				
Personnel services	-	35,537	2,406	33,131
Supplies	407	45,407	2,364	43,043
Other services and charges	16,435,391	16,936,489	6,629,500	10,306,989
Total expenditures	<u>16,435,798</u>	<u>16,981,896</u>	<u>6,634,270</u>	<u>10,383,163</u>
Deficiency of revenues over (under) expenditures	<u>(14,900,303)</u>	<u>(14,760,581)</u>	<u>(6,171,581)</u>	<u>8,624,537</u>
Net change in fund balances	<u>(14,900,303)</u>	<u>(14,760,581)</u>	<u>(6,171,581)</u>	<u>8,624,537</u>
Fund balances at beginning of year	14,768,686	14,768,686	14,768,686	-
Fund balances at end of year	<u>\$ (131,617)</u>	<u>\$ 8,105</u>	<u>\$ 8,597,105</u>	<u>\$ 8,624,537</u>

City of Jackson
Parks and Recreation Grant Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual
For the year ended September 30, 2006

	<u>Original Budgeted Amounts</u>	<u>Final Budgeted Amounts</u>	<u>Actuals</u>	<u>Variance</u>
REVENUES				
General property taxes	\$ 2,112,300	\$ 2,101,784	\$ 2,101,785	\$ 1
Intergovernmental	185,974	194,117	194,317	\$ 200
Admissions, fees, rentals and concessions	421,072	413,359	369,356	\$ (44,003)
Interest	8,000	20,781	23,088	\$ 2,307
Other	610,100	108,423	8,323	\$ (100,100)
Total revenues	<u>3,337,446</u>	<u>2,838,464</u>	<u>2,696,869</u>	<u>(141,595)</u>
EXPENDITURES				
Current Operations:				
Personnel Services	4,340,612	4,029,190	3,767,553	\$ 261,637
Supplies	836,581	912,743	740,197	\$ 172,546
Other Services and Charges	1,175,483	1,505,703	1,376,617	\$ 129,086
Capital Outlay	326,770	311,810	274,101	\$ 37,709
Total expenditures	<u>6,679,446</u>	<u>6,759,446</u>	<u>6,158,468</u>	<u>600,978</u>
Excess (deficiency) of revenues over expenditures	<u>(3,342,000)</u>	<u>(3,920,982)</u>	<u>(3,461,599)</u>	<u>459,383</u>
OTHER FINANCING SOURCES (USES)				
Transfers in:				
General Fund	3,282,000	3,873,406	3,282,000	(591,406)
Proceeds from capital leases	60,000	47,576	47,094	(482)
Total other financing sources (uses)	<u>3,342,000</u>	<u>3,920,982</u>	<u>3,329,094</u>	<u>(591,888)</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	-	-	(132,505)	(132,505)
Fund balances at beginning of year	<u>300,463</u>	<u>300,463</u>	<u>300,463</u>	<u>-</u>
Fund balances at end of year	<u>\$ 300,463</u>	<u>\$ 300,463</u>	<u>\$ 167,958</u>	<u>\$ (132,505)</u>

City of Jackson
Federal Grants Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual
For the year ended September 30, 2006

	<u>Original Budgeted Amounts</u>	<u>Final Budgeted Amounts</u>	<u>Actuals</u>	<u>Variance</u>
REVENUES				
Intergovernmental	\$ 20,436,384	\$ 20,939,364	\$ 6,549,218	\$ (14,390,146)
Interest	5,861	20,647	24,016	\$ 3,369
Other	<u>185,167</u>	<u>185,167</u>	<u>247,434</u>	<u>\$ 62,267</u>
Total revenues	<u>20,627,412</u>	<u>21,145,178</u>	<u>6,820,668</u>	<u>\$ (14,324,510)</u>
EXPENDITURES				
Current Operations:				
Personnel Services	3,331,997	3,810,092	2,905,397	\$ 904,695
Supplies	1,101,726	929,326	688,237	\$ 241,089
Other Services and Charges	15,922,681	13,941,157	3,387,957	\$ 10,553,200
Capital Outlay	<u>1,446,341</u>	<u>3,637,399</u>	<u>665,669</u>	<u>\$ 2,971,730</u>
Total expenditures	<u>21,802,745</u>	<u>22,317,974</u>	<u>7,647,260</u>	<u>\$ 14,670,714</u>
Excess (deficiency) of revenues over expenditures	<u>(1,175,333)</u>	<u>(1,172,796)</u>	<u>(826,592)</u>	<u>\$ (346,204)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in:				
General Fund	759,009	756,472	768,634	12,162
Transfers out:				
Enterprise Fund	<u>-</u>	<u>-</u>	<u>(268,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>759,009</u>	<u>756,472</u>	<u>500,634</u>	<u>12,162</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	(416,324)	(416,324)	(325,958)	(334,042)
Fund balances at beginning of year	<u>562,884</u>	<u>562,884</u>	<u>562,884</u>	<u>-</u>
Fund balances at end of year	<u>\$ 146,560</u>	<u>\$ 146,560</u>	<u>\$ 236,926</u>	<u>\$ (334,042)</u>

City of Jackson
State Grant Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual
For the year ended September 30, 2006

	<u>Original Budgeted Amounts</u>	<u>Final Budgeted Amounts</u>	<u>Actuals</u>	<u>Variance</u>
REVENUES				
Intergovernmental	\$ 306,192	\$ 2,640,342	\$ 1,429,070	(1,211,272)
Interest	-	-	724	724
Total revenues	<u>306,192</u>	<u>2,640,342</u>	<u>1,429,794</u>	<u>(1,210,548)</u>
EXPENDITURES				
Current Operations:				
Personnel Services	38,386	271,886	95,850	176,036
Supplies	5,983	235,464	111,677	123,787
Other Services and Charges	15,939	235,278	134,934	100,344
Capital Outlay	<u>251,915</u>	<u>1,903,745</u>	<u>1,109,742</u>	<u>794,003</u>
Total expenditures	<u>312,223</u>	<u>2,646,373</u>	<u>1,452,203</u>	<u>1,194,170</u>
Excess (deficiency) of revenues over expenditures	<u>(6,031)</u>	<u>(6,031)</u>	<u>(22,409)</u>	<u>(16,378)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in:				
General Fund	<u>6,031</u>	<u>6,031</u>	<u>15,844</u>	<u>9,813</u>
Total other financing sources (uses)	<u>6,031</u>	<u>6,031</u>	<u>15,844</u>	<u>9,813</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	-	-	(6,565)	(6,565)
Fund balances at beginning of year	<u>(56,583)</u>	<u>(56,583)</u>	<u>(56,583)</u>	-
Fund balances at end of year	<u><u>\$ (56,583)</u></u>	<u><u>\$ (56,583)</u></u>	<u><u>\$ (63,148)</u></u>	<u><u>\$ (6,565)</u></u>

City of Jackson
Disability and Relief Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual
For the year ended September 30, 2006

	<u>Original Budgeted Amounts</u>	<u>Final Budgeted Amounts</u>	<u>Actuals</u>	<u>Variance</u>
REVENUES				
General property taxes	\$ 5,917,676	\$ 5,917,676	\$ 5,892,909	\$ (24,767)
Intergovernmental	310,400	310,400	188,520	(121,880)
Admissions, fees, rentals and concessions	2,000	2,000	363	(1,637)
Interest	23,000	23,000	78,041	55,041
Other	53,309	53,309	34,687	(18,622)
Total revenues	<u>6,306,385</u>	<u>6,306,385</u>	<u>6,194,520</u>	<u>(111,865)</u>
EXPENDITURES				
Current Operations:				
Other Services and Charges	171,063	171,063	154,247	16,816
Debt Service:				
Principal	4,965,000	4,965,000	4,965,000	-
Interest and service charges	1,497,115	1,495,115	1,496,119	(1,004)
Total expenditures	<u>6,633,178</u>	<u>6,631,178</u>	<u>6,615,366</u>	<u>15,812</u>
Excess (deficiency) of revenues over expenditures	<u>(326,793)</u>	<u>(324,793)</u>	<u>(420,846)</u>	<u>96,053</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other uses				
	(326,793)	(324,793)	(420,846)	96,053
Fund balances at beginning of year	<u>820,476</u>	<u>820,476</u>	<u>820,476</u>	<u>-</u>
Fund balances at end of year	<u>\$ 493,683</u>	<u>\$ 495,683</u>	<u>\$ 399,630</u>	<u>\$ 96,053</u>

City of Jackson
1982 Industrial Park Bond Capital Project Funds
Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual
For the year ended September 30, 2006

	<u>Original Budgeted Amounts</u>	<u>Final Budgeted Amounts</u>	<u>Actuals</u>	<u>Variance</u>
REVENUES				
Interest	\$ 3,000	\$ 3,000	\$ 2,200	\$ (800)
Other	-	-	(15,685)	15,685
Total revenues	<u>3,000</u>	<u>3,000</u>	<u>(13,485)</u>	<u>14,885</u>
EXPENDITURES				
Current Operations:				
Supplies	7,200	7,200	-	7,200
Other Services and Charges	<u>72,933</u>	<u>72,933</u>	<u>29,668</u>	<u>43,265</u>
Total expenditures	<u>80,133</u>	<u>80,133</u>	<u>29,668</u>	<u>50,465</u>
Deficiency of revenues over (under) expenditures	<u>(77,133)</u>	<u>(77,133)</u>	<u>(43,153)</u>	<u>65,350</u>
Net change in fund balances	(77,133)	(77,133)	(43,153)	65,350
Fund balances at beginning of year	<u>95,501</u>	<u>95,501</u>	<u>95,501</u>	<u>-</u>
Fund balances at end of year	<u>\$ 18,368</u>	<u>\$ 18,368</u>	<u>\$ 52,348</u>	<u>\$ 65,350</u>

City of Jackson
1994 GO Bond Capital Improvement Capital Project Funds
Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual
For the year ended September 30, 2006

	<u>Original Budgeted Amounts</u>	<u>Final Budgeted Amounts</u>	<u>Actuals</u>	<u>Variance</u>
REVENUES				
Interest	\$ -	\$ -	\$ 3,856	\$ 3,856
Total revenues	<u>-</u>	<u>-</u>	<u>3,856</u>	<u>3,856</u>
EXPENDITURES				
Current Operations:				
Other Services and Charges	311,011	-	2,221	(2,221)
Total expenditures	<u>311,011</u>	<u>-</u>	<u>2,221</u>	<u>(2,221)</u>
Deficiency of revenues over (under) expenditures	<u>(311,011)</u>	<u>-</u>	<u>1,635</u>	<u>1,635</u>
Net change in fund balances	(311,011)	-	1,635	1,635
Fund balances at beginning of year	<u>117,962</u>	<u>-</u>	<u>117,962</u>	<u>-</u>
Fund balances at end of year	<u>\$ (193,049)</u>	<u>\$ -</u>	<u>\$ 119,597</u>	<u>\$ 1,635</u>

City of Jackson
1988 Construction Bond Capital Project Funds
Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual
For the year ended September 30, 2005

	<u>Original Budgeted Amounts</u>	<u>Final Budgeted Amounts</u>	<u>Actuals</u>	<u>Variance</u>
REVENUES				
Interest	\$ -	\$ 7,041	\$ 7,853	\$ 812
Total revenues	<u>-</u>	<u>7,041</u>	<u>7,853</u>	<u>812</u>
EXPENDITURES				
Current Operations:				
Other Services and Charges	633,636	319,925	272,854	47,071
Total expenditures	<u>633,636</u>	<u>319,925</u>	<u>272,854</u>	<u>47,071</u>
Deficiency of revenues over (under) expenditures	<u>633,636</u>	<u>319,925</u>	<u>(265,001)</u>	<u>54,924</u>
Net change in fund balances	(633,636)	(319,925)	(265,001)	54,924
Fund balances at beginning of year	<u>319,570</u>	<u>319,570</u>	<u>319,570</u>	<u>-</u>
Fund balances at end of year	<u>\$ (314,066)</u>	<u>\$ (355)</u>	<u>\$ 54,569</u>	<u>\$ 54,924</u>

**NON-MAJOR
ENTERPRISE FUNDS**

Nonmajor Proprietary

Madison Sewage Disposal System Fund

To account for costs of construction, operation and maintenance of the East Madison County Sewage Disposal System. The City of Ridgeland, Mississippi, will be responsible for the service contracts with other entities within Madison County participating in the system.

Transportation Fund

To account for the operational costs of the City's transit system. Deficiencies in revenues over expenses are financed by the City.

Sanitation and Recycling Fund

To account for the operational costs of the City's sanitation and recycling service. Deficiencies in revenues over expenses are financed by the City.

City of Jackson
Statement of Net Assets
Proprietary Funds - Nonmajor Funds
As of September 30, 2006

	<u>Madison Sewage</u>	<u>Transportation</u>	<u>Sanitation</u>	<u>Totals</u>
ASSETS				
Current Assets:				
Cash and Cash Equivalent	\$ 4,429	\$ -	\$ 525,099	\$ 529,528
Accounts receivable, less allowances	-	-	2,027,933	2,027,933
Intergovernmental Receivable	-	3,275,008	965,118	4,240,126
Other Receivable	-	-	-	-
Total Current Asset	<u>4,429</u>	<u>3,275,008</u>	<u>3,518,150</u>	<u>6,797,587</u>
Property, Plant and Equipment, at Cost				
Land	-	450,000	-	450,000
Buildings	-	1,681,851	51,712	1,733,563
Water plant, distribution system and equipment	453,844	410,690	-	864,534
Automotive and other equipment	-	10,971,671	1,642,180	12,613,851
	453,844	13,514,212	1,693,892	15,661,948
Less: accumulated depreciation	<u>(149,448)</u>	<u>(9,254,424)</u>	<u>(1,190,115)</u>	<u>(10,593,987)</u>
	304,396	4,259,788	503,777	5,067,961
Construction in progress	<u>13,800</u>	-	-	13,800
Net property, plant and equipment	<u>318,196</u>	<u>4,259,788</u>	<u>503,777</u>	<u>5,081,761</u>
Total Assets	<u>\$ 322,625</u>	<u>\$ 7,534,796</u>	<u>\$ 4,021,927</u>	<u>\$ 11,879,348</u>

The notes to the financial statements are an integral part of this statement.

City of Jackson
Statement of Net Assets
Proprietary Funds - Nonmajor Funds
As of September 30, 2006

	<u>Madison Sewage</u>	<u>Transportation</u>	<u>Sanitation</u>	<u>Totals</u>
LIABILITIES				
Current Liabilities:				
Accounts Payable	\$ 10,229	\$ 189,100	\$ 700,536	\$ 899,865
Due to other funds	-	3,611,487	1,347,840	4,959,327
Current portion of long term debt:				
Lease Obligations	-	273,115	187,909	461,024
Total current liabilities	<u>10,229</u>	<u>4,073,702</u>	<u>2,236,285</u>	<u>6,320,216</u>
Long Term Debt (less amounts classified as current liabilities):				
Lease obligation	-	595,768	92,380	688,148
Total long-term debt	-	595,768	92,380	688,148
Total liabilities	<u>10,229</u>	<u>4,669,470</u>	<u>2,328,665</u>	<u>7,008,364</u>
NET ASSETS				
Invested in Capital Assets, net of related debt	318,196	3,390,905	223,488	3,932,589
Unrestricted	(5,800)	(525,579)	1,469,774	938,395
Total Net Assets	<u>312,396</u>	<u>2,865,326</u>	<u>1,693,262</u>	<u>4,870,984</u>
Total liabilities and net assets	<u>\$ 322,625</u>	<u>\$ 7,534,796</u>	<u>\$ 4,021,927</u>	<u>\$ 11,879,348</u>

The notes to the financial statements are an integral part of this statement.

City of Jackson
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds - Nonmajor Funds
For the Year Ended September 30, 2006

	<u>Madison Sewage</u>	<u>Transportation</u>	<u>Sanitation</u>	<u>Totals</u>
Operating Revenues:				
Sales to Customers	\$ -	\$ 448,167	\$ 9,113,482	\$ 9,561,649
Other Revenue	-	3,121,212	1,036,345	4,157,557
Total Operating revenues	<u>-</u>	<u>3,569,379</u>	<u>10,149,827</u>	<u>13,719,206</u>
Operating Expenses:				
Personnel Services	28,015	160,215	778,954	967,184
Supplies	54	604,604	195,426	800,084
Other services and charges	80,392	5,183,009	8,783,189	14,046,590
Depreciation	8,929	641,451	135,327	785,707
Total operating expenses	<u>117,390</u>	<u>6,589,279</u>	<u>9,892,896</u>	<u>16,599,565</u>
Operating Income (loss)	<u>(117,390)</u>	<u>(3,019,900)</u>	<u>256,931</u>	<u>(2,880,359)</u>
Nonoperating Revenues (Expenses):				
Interest revenue	1,808	12,607	13,801	28,216
Total nonoperating revenues (expenses)	<u>1,808</u>	<u>12,607</u>	<u>13,801</u>	<u>28,216</u>
Income (loss) before operating transfers	<u>(115,582)</u>	<u>(3,007,293)</u>	<u>270,732</u>	<u>(2,852,143)</u>
Operating Transfers In:				
General Fund	-	3,889,344	1,316,004	5,205,348
Total transfers in (out)	<u>-</u>	<u>3,889,344</u>	<u>1,316,004</u>	<u>5,205,348</u>
Change in Net Assets	<u>(115,582)</u>	<u>882,051</u>	<u>1,586,736</u>	<u>2,353,205</u>
Total net assets - beginning	<u>427,978</u>	<u>1,983,275</u>	<u>106,526</u>	<u>2,517,779</u>
Total net assets - ending	<u>\$ 312,396</u>	<u>\$ 2,865,326</u>	<u>\$ 1,693,262</u>	<u>\$ 4,870,984</u>

The notes to the financial statements are an integral part of this statement.

City of Jackson
Statement of Cash Flows
Proprietary Funds - Nonmajor Funds
For the year ended September 30, 2006

	<u>Madison Sewage</u>	<u>Transportation</u>	<u>Sanitation</u>	<u>Totals</u>
Cash Flows from Operating Activities				
Receipts from customers and users	\$ -	\$ 448,167	\$ 9,113,482	\$ 9,561,649
Receipts from other revenue	-	1,465,363	(424,286)	1,041,077
Payments to Suppliers	(82,890)	(4,694,491)	(9,020,828)	(13,798,209)
Payments to employees	(28,015)	(160,215)	(778,954)	(967,184)
Net Cash Provided by (used for)				-
Operating activities	<u>(110,905)</u>	<u>(2,941,176)</u>	<u>(1,110,586)</u>	<u>(4,162,667)</u>
Cash Flows from Noncapital Financing Activities				
Transfers In	-	3,889,344	1,316,004	5,205,348
Net Cash Provided by (Used for) Noncapital financing activities	<u>-</u>	<u>3,889,344</u>	<u>1,316,004</u>	<u>5,205,348</u>
Cash Flows from Capital and Related Financing Activities				
Acquisition and construction of capital assets	-	(1,143,366)	(62,438)	(1,205,804)
Proceeds from capital leases	-	437,523	-	437,523
Principal paid on capital debt	-	(254,932)	(204,374)	(459,306)
Net cash used for capital and related financing activities	<u>-</u>	<u>(960,775)</u>	<u>(266,812)</u>	<u>(1,227,587)</u>
Cash Flow Provided by (used for) Investing Activities:				
Interest on investments	1,808	12,607	13,801	28,216
Net cash provided by investing activities	<u>1,808</u>	<u>12,607</u>	<u>13,801</u>	<u>28,216</u>
Net increase (decrease) in cash and cash equivalents	(109,097)	-	(47,593)	(156,690)
Cash and cash equivalents at beginning of year	<u>113,526</u>	<u>-</u>	<u>572,692</u>	<u>686,218</u>
Cash and cash equivalents at end of year	<u>\$ 4,429</u>	<u>\$ -</u>	<u>\$ 525,099</u>	<u>\$ 529,528</u>
Reconciliation of Operating Income to Net Cash Provided (used) by Operating Activities:				
Operating income	\$ (117,390)	\$ (3,019,900)	\$ 256,931	\$ (2,880,359)
Depreciation expense	8,929	641,451	135,327	785,707
(Increase) decrease in accounts receivable, net	-	-	(496,742)	(496,742)
(Increase) decrease in other receivable	-	(1,655,849)	(963,889)	(2,619,738)
(Increase) decrease in due from other funds	-	1,478,070	-	1,478,070
Increase (decrease) in accounts payable	<u>(2,444)</u>	<u>(384,948)</u>	<u>(42,213)</u>	<u>(429,605)</u>
Total adjustments	<u>6,485</u>	<u>78,724</u>	<u>(1,367,517)</u>	<u>(1,282,308)</u>
Net cash provided by operating activities	<u>\$ (110,905)</u>	<u>\$ (2,941,176)</u>	<u>\$ (1,110,586)</u>	<u>\$ (4,162,667)</u>

The notes to the financial statements are an integral part of this statement.

FUDUCIARY FUNDS

Fiduciary Funds

Tax Collections

To account for receipt of tax collections for and subsequent payment to the Jackson/Hinds Library System, Jackson Municipal Separate School District, Capital City Community Convention Center, and Jackson Convention & Visitors Bureau.

**CITY OF JACKSON
ALL AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

	<u>ASSETS</u>		<u>LIABILITIES</u>	
	<u>Cash and Cash Equivalents</u>	<u>Total Assets</u>	<u>Other Liabilities</u>	<u>Total Liabilities</u>
Capital City Community Convention Center				
Balance at October 1, 2005	\$ -	\$ -	\$ -	\$ -
Additions	4,788,711	4,788,711	4,788,711	4,788,711
Deductions	<u>4,788,581</u>	<u>4,788,581</u>	<u>4,788,581</u>	<u>4,788,581</u>
Balance at September 30, 2006	<u><u>130</u></u>	<u><u>130</u></u>	<u><u>130</u></u>	<u><u>130</u></u>
Jackson Convention & Visitors Bureau				
Balance at October 1, 2005	\$ -	\$ -	\$ -	\$ -
Additions	3,453,021	3,453,021	3,453,021	3,453,021
Deductions	<u>3,448,153</u>	<u>3,448,153</u>	<u>3,448,153</u>	<u>3,448,153</u>
Balance at September 30, 2006	<u><u>4,868</u></u>	<u><u>4,868</u></u>	<u><u>4,868</u></u>	<u><u>4,868</u></u>
Jackson/Hinds Library System				
Balance at October 1, 2005	\$ -	\$ -	\$ -	\$ -
Additions	1,372,679	1,372,679	1,372,679	1,372,679
Deductions	<u>1,372,679</u>	<u>1,372,679</u>	<u>1,372,679</u>	<u>1,372,679</u>
Balance at September 30, 2006	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
Jackson Municipal Separate School District				
Balance at October 1, 2005	\$ -	\$ -	\$ -	\$ -
Additions	10,073,893	10,073,893	10,073,893	10,073,893
Deductions	<u>10,073,893</u>	<u>10,073,893</u>	<u>10,073,893</u>	<u>10,073,893</u>
Balance at September 30, 2006	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
Total - All Agency Funds:				
Balance at October 1, 2005	\$ -	\$ -	\$ -	\$ -
Additions	19,688,304	19,688,304	19,688,304	19,688,304
Deductions	<u>19,683,306</u>	<u>19,683,306</u>	<u>19,683,306</u>	<u>19,683,306</u>
Balance at September 30, 2006	<u><u>\$ 4,998</u></u>	<u><u>\$ 4,998</u></u>	<u><u>\$ 4,998</u></u>	<u><u>\$ 4,998</u></u>

The notes to the financial statements are an integral part of this statement.

CAPITAL ASSETS

**CITY OF JACKSON
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
 COMPARATIVE SCHEDULES BY SOURCE (1)
 SEPTEMBER 30, 2006 AND 2005**

	2006	2005
Governmental funds capital assets:		
Land	\$ 14,698,209	\$ 14,929,019
Buildings	65,943,333	36,879,678
Automotive and equipment:	65,926,598	58,507,623
Infrastructure	238,631,710	222,260,971
Construction in progress	36,865,485	63,687,687
Total governmental funds capital assets	\$ 422,065,335	\$ 396,264,978

Investment in governmental funds capital assets by source:

Assets prior to 1985 not segregated by sources	\$ 14,002,713	\$ 14,002,713
General Fund revenues	66,668,082	60,672,690
Special Revenue Fund revenues	92,463,945	84,752,342
Special Assessment bonds	1,962,957	1,962,957
General Obligation bonds	203,156,986	191,269,936
Limited Obligation bonds	2,252,694	2,252,694
Debt Service Fund revenues	65,000	65,000
Federal grants	41,009,751	40,803,439
State grants	52,261	52,261
County grants	430,946	430,946
Total governmental funds capital assets	\$ 422,065,335	\$ 396,264,978

(1) This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

**CITY OF JACKSON
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY (1)
SEPTEMBER 30, 2006**

	Land	Buildings	Infrastructure	Automotive and Equipment	Construction In Progress	Total
Assets prior to 1985 not segregated by function and activity	\$ 10,957,843	\$ -	\$ -	\$ 3,044,869	\$ -	\$ 14,002,712
General Government:						
Planning	756,939	43,001	39,349	290,063	2,177,517	3,306,869
Code Services	-	-	-	732,245	-	732,245
Telecommunication	-	4,554,834	8,943	99,140	-	4,662,917
Data Processing / Information System	-	-	-	5,638,560	-	5,638,560
Vehicle Pool Fund	-	-	-	570,251	-	570,251
Mayor's Office of Development Assistance	100,000	-	-	104,679	-	204,679
Office Services	-	-	-	144,666	-	144,666
Purchasing	-	-	-	49,702	-	49,702
Finance and Management	-	2,299,392	133,238	260,038	-	2,692,668
Personnel	-	-	-	218,829	-	218,829
Municipal Court Services	-	-	-	755,228	-	755,228
Vehicle Maintenance	-	5,816	-	639,434	-	645,251
Minority Business Development	-	-	-	27,598	-	27,598
Total general government	856,939	6,903,043	181,530	9,530,433	2,177,517	19,649,462
Urban Development and Housing:						
Neighborhood Enhancement Task	-	-	-	11,125	-	11,125
Redevelopment Projects	87,578	-	-	69,874	-	157,452
Post Office Project	500	-	-	-	-	500
Union Station	-	13,911,954	243,000	-	-	14,154,954
Total urban development and housing	88,078	13,911,954	243,000	80,999	-	14,324,031
Health and Welfare:						
Public Relations/Information	-	-	-	14,829	-	14,829
Senior Services	-	235,854	-	482,947	-	718,801
Day Care Services	-	281,849	16,109	185,410	16,142	499,510
Senior Centers/Community Centers	-	1,271,615	-	16,389	-	1,288,004
Group Home	46,245	-	-	-	-	46,245
Human and Cultural Services	-	15,645	1,876	60,210	-	77,731
Total health and welfare	46,245	1,804,963	17,985	759,785	16,142	2,645,120

(1) This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

**CITY OF JACKSON
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY (CONTINUED)
SEPTEMBER 30, 2006**

	Land	Buildings	Infrastructure	Automotive and Equipment	Construction In Progress	Total
Public Safety:						
Fire Department	\$ 75,000	\$ 5,298,641	\$ 3,550,734	\$ 14,859,392	\$ 176,508	\$ 23,960,275
Police Department	23,250	2,546,637	856,190	24,393,468	12,105,309	39,924,853
Small Animal Control	-	1,366,368	-	17,746	-	1,384,114
Juvenile Justice	-	431,482	4,502,506	86,199	-	5,020,187
Emergency Management	-	-	-	17,914	-	17,914
Communication Center	-	1,292,879	-	300,903	-	1,593,782
Public Safety Garage	-	-	-	29,060	-	29,060
Total public safety	98,250	10,936,007	8,909,430	39,704,682	12,281,817	71,930,185
Public Works:						
Cemeteries	-	8,430	-	143,318	-	151,748
Engineering	585,273	736,489	500,000	4,607,044	3,080	6,431,886
Traffic Engineering	-	17,215	25,875	2,232,769	159,460	2,435,319
Traffic Signals	-	-	287,358	337,813	4,156,299	4,781,470
Care and Maintenance of Public Buildings	-	6,453,016	437,544	255,756	-	7,146,316
Custodial Services	-	-	-	129,595	-	129,595
Public Works Deputy Dir/Adm	-	-	-	8,041	-	8,041
Pest Control	-	-	-	1,426	-	1,426
Central Supply	-	-	-	(65)	-	(65)
Streets	354,278	-	134,566,334	479,651	11,785,630	147,185,893
Storm Drainage	-	-	85,305,248	200,166	2,781,743	88,287,157
Bridges	-	-	30,873	-	-	30,873
Soil Conservation	-	-	120,000	-	188,051	308,051
Recycling	-	-	-	-	-	-
Total public works	939,551	7,215,150	221,273,232	8,395,514	19,074,263	256,897,710
Culture and Recreation:						
Planetarium	-	827,314	-	498,399	34,963	1,360,676
Jackson Zoological Park	-	1,500,000	-	465,125	-	1,965,125
Municipal Art Building	-	5,758	29,049	5,907	-	40,714
Parks and Recreation	225,820	9,093,703	7,280,615	2,300,953	198,180	19,099,272
Teen Center	-	-	-	5,293	-	5,293
Library	-	5,710,933	-	156,099	2,069,327	7,936,359
Smith Robertson Cultural Center	-	1,238,810	185,738	18,033	-	1,442,581
City Auditorium and Art Center	-	3,849,374	511,131	64,922	906,916	5,332,343
Total culture and recreation	225,820	22,225,893	8,006,533	3,514,731	3,209,386	37,182,363

CITY OF JACKSON
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY (CONTINUED)
SEPTEMBER 30, 2006

	Land	Buildings	Infrastructure	Automotive and Equipment	Construction In Progress	Total
Miscellaneous:						
City Council/Mayor	\$ -	\$ 402,664	\$ -	\$ 393,151	\$ -	\$ 795,817
City Clerk	-	-	-	183,708	-	183,708
City Hall	-	2,526,372	-	-	-	-
Legal	-	17,287	-	259,686	-	276,973
Mayor's Action Line	-	-	-	40,415	-	40,415
Industrial Park	1,485,483	-	-	-	106,360	1,591,843
Internal Audit	-	-	-	18,625	-	18,625
Total miscellaneous	1,485,483	2,946,323	-	895,585	106,360	5,433,751
Total City of Jackson	14,698,209	65,943,333	238,631,710	65,926,598	36,865,485	422,065,334
Total governmental funds capital assets	\$ 14,698,209	\$ 65,943,333	\$ 238,631,710	\$ 65,926,598	\$ 36,865,485	\$ 422,065,335

CITY OF JACKSON
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES IN GENERAL FIXED ASSETS
BY FUNCTION AND ACTIVITY(1)
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Governmental Funds Capital Assets October 1, 2005	Additions	Deductions	Governmental Funds Capital Assets September 30, 2006
General Government:	\$	\$	\$	\$
Planning	1,174,846	11,410	230,810	955,446
Code Services	625,988	1,980	5,600	622,368
Information Systems	745,347		900	744,447
Transportation	10,192,613		-	10,192,613
Data Processing	1,575,952		-	1,575,952
Telecommunications	10,301,909		-	10,301,909
Purchasing	50,089		-	50,089
Finance and Management	7,675,043	4,808	-	7,679,851
Personnel	118,287	10,892	-	129,179
Municipal Court Services	142,177	396,201	-	538,378
Vehicle Maintenance	1,460,484	85,292	-	1,545,776
Total general government	<u>34,062,735</u>	<u>510,583</u>	<u>237,310</u>	<u>34,336,008</u>
Urban Development and Housing:				
Redevelopment Projects	272,751		-	272,751
Union Station	13,428,756	19,740	-	13,448,496
Total urban development and housing	<u>13,701,507</u>	<u>19,740</u>	<u>-</u>	<u>13,721,247</u>
Health and Welfare:				
Senior Services	805,132		-	805,132
Day Care Services	1,141,819	12,285	-	1,154,104
Senior Centers/Community Centers	626,054	3,970	-	630,024
Human and Cultural Services	1,383,467	2,199	2,050	1,383,616
Total health and welfare	<u>3,956,472</u>	<u>18,454</u>	<u>2,050</u>	<u>3,972,876</u>

(Continued)

(1) This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

**CITY OF JACKSON
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES IN GENERAL FIXED ASSETS
BY FUNCTION AND ACTIVITY (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

	Governmental Funds Capital Assets October 1, 2005	Additions	Deductions	Governmental Funds Capital Assets September 30, 2006
Public Safety:				
Fire Department	\$ 25,928,840	\$ 2,580,663	\$ 19,648	\$ 28,489,855
Police Department	31,721,542	6,693,345	53,225	38,361,662
Small Animal Control	1,714,102		-	1,714,102
Juvenile Justice	11,436,632	256,446	-	11,693,078
Communication Center	4,120,964		-	4,120,964
Public Safety Garage	230,776		-	230,776
Total public safety	75,152,856	9,530,454	72,873	84,610,437
Public Works:				
Cemeteries	356,014			356,014
Engineering	3,181,141	13,536	-	3,194,677
Traffic Engineering	5,788,059	970,225	5,725	6,752,559
Care and Maintenance of Public Buildings	9,969,111	56,066	1,400	10,023,777
Custodial Services	127,328	2,552	30	129,850
Pest Control	10,452		-	10,452
Central Supply	709,337			709,337
Streets	135,423,216	11,157,427	17,041	146,563,602
Storm Drainage	56,949,043	2,057,766	-	59,006,809
Soil Conservation	670,960		-	670,960
Total public works	213,184,661	14,257,572	24,196	227,418,037
Culture and Recreation:				
Planetarium	4,775,651	4,228	-	4,779,879
Jackson Zoological Park	3,515,393		-	3,515,393
Municipal Art Building	75,271	567		75,838
Parks and Recreation	17,418,495	142,336	10,321	17,550,510
Library	9,217,851	1,025,972	-	10,243,823
Smith Robertson Cultural Center	2,611,972	61,278	-	2,673,250
City Auditorium and Art Center	12,301,195	213,432	-	12,514,627
Total culture and recreation	49,915,828	1,447,813	10,321	51,353,320

CITY OF JACKSON
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES IN GENERAL FIXED ASSETS
BY FUNCTION AND ACTIVITY (CONTINUED)
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006

	Governmental Funds Capital Assets October 1, 2005	Additions	Deductions	Governmental Funds Capital Assets September 30, 2006
Miscellaneous:				
City Council/Mayor	\$ 6,360,514	\$ 18,926	-	\$ 6,379,440
City Clerk	54,726	8,200	-	62,926
Legal	155,715	21,151	-	176,866
Mayor's Action Line	13,227	-	-	13,227
Internal Audit	20,369	582	-	20,951
Total miscellaneous	<u>6,604,551</u>	<u>48,859</u>	<u>-</u>	<u>6,653,410</u>
Total governmental funds capital asset	<u>\$ 396,578,610</u>	<u>\$ 25,833,475</u>	<u>\$ 346,750</u>	<u>\$ 422,065,335</u>

City of Jackson
Net Assets by Component
Last Ten Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)

	Fiscal Year									
	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Governmental activities										
Invested in capital assets, net of related debt	\$ 168,144	\$ 131,159	\$ 113,083	\$ 95,360	\$ 34,608	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	4,169	4,296	5,787	(476)	5,612	28,845	13,903	20,205	25,428	17,398
Unrestricted	33,779	40,415	53,370	17,445	37,289	27,879	53,390	61,600	23,255	22,294
Total governmental activities net assets	\$ 206,092	\$ 175,870	\$ 172,240	\$ 112,329	\$ 77,509	\$ 56,724	\$ 67,293	\$ 81,805	\$ 48,683	\$ 39,692
Business-type activities										
Invested in capital assets, net of related debt	\$ 135,512	\$ 80,995	\$ 128,208	\$ 122,710	\$ 141,800	\$ 88,326	\$ 89,235	\$ 90,007	\$ 91,238	\$ 92,506
Restricted	3,661	3,643	3,581	(125,132)	150,412	27,768	35,873	50,375	19,542	20,682
Unrestricted	94,115	136,958	85,831	217,427	(54,152)	95,675	86,673	69,017	94,776	88,829
Total business-type activities net assets	\$ 233,288	\$ 221,596	\$ 217,620	\$ 215,005	\$ 238,060	\$ 211,769	\$ 211,781	\$ 209,399	\$ 205,556	\$ 202,017
Primary government										
Invested in capital assets, net of related debt	\$ 303,656	\$ 212,154	\$ 241,291	\$ 218,070	\$ 176,408	\$ 88,326	\$ 89,235	\$ 90,007	\$ 91,238	\$ 92,506
Restricted	7,830	7,939	9,368	(125,608)	156,024	56,613	49,776	70,580	44,970	38,080
Unrestricted	127,894	177,373	139,201	234,872	(16,863)	123,554	140,063	130,617	118,031	111,123
Total primary government net assets	\$ 439,380	\$ 397,466	\$ 389,860	\$ 327,334	\$ 315,569	\$ 268,493	\$ 279,074	\$ 291,204	\$ 254,239	\$ 241,709

Source: Statement of Net Assets.

City of Jackson
Changes in Net Assets
Last Ten Fiscal Years
 (accrual basis of accounting)
 (amounts expressed in thousands)

	Fiscal Year									
	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Expenses										
Governmental activities:										
General government	\$ 29,179	\$ 33,311	\$ 30,021	\$ 30,228	\$ 28,337					
Public safety	29,109	53,193	59,495	51,657	54,196					
Public works	35,819	23,972	19,657	16,815	10,156					
Human and cultural services	17,004	14,069	10,829	11,994	6,655					
Employee benefits	1,836	3,257	2,329	3,359	3,275					
Interest on long-term debt	4,731	9,307	5,965	6,254	8,674					
Total governmental activities expenses	117,678	137,109	128,296	120,307	111,293					
Business-type activities:										
Water/Sewer	41,184	39,663	39,299	44,396	37,671					
Transportation	6,589	6,167	6,117	5,740	5,782					
Sanitation	9,893	8,979	9,205	9,075	9,135					
Total business-type activities expenses	57,666	54,809	54,621	59,211	52,588					
Total primary government expenses	\$ 175,344	\$ 191,918	\$ 182,917	\$ 179,518	\$ 163,881					
Program Revenues										
Governmental activities:										
Charges for services	9,321	23,117	13,481	12,118	8,090					
Operating grants and contributions	22,969	12,720	4,611	12,574	10,402					
Capital grants and contributions	5,955	2,034	12,774	10,873	16,272					
Total governmental activities program revenues	38,245	37,871	30,866	23,447	34,764					
Business-type activities:										
Charges for services:										
Water/Sewer	42,262	39,023	40,809	43,628	48,071					
Transportation	448	423	475	525	595					
Sanitation	9,113	8,016	9,031	7,669	7,740					
Operating grants and contributions	4,391	4,137	1,947	1,626	10,843					
Capital grants and contributions	-	-	-	-	-					
Total business-type activities program revenue	56,214	51,599	52,262	53,448	67,249					
Total primary government program revenues	\$ 94,459	\$ 89,470	\$ 83,128	\$ 76,895	\$ 102,013					

	Fiscal Year										
	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997	
Net (expense)/revenue	(79,433)	(99,238)	(97,430)	(96,860)	(76,529)						
Governmental activities	(1,452)	(3,210)	(2,359)	(5,763)	14,661						
Business-type activities	\$ (80,885)	\$ (102,448)	\$ (99,789)	\$ (102,623)	\$ (61,868)						
Total primary government net expenses											
General Revenues and Other Charges in											
Net Assets											
Governmental activities:											
Taxes											
Property taxes	\$ 61,945	\$ 59,529	\$ 60,675	\$ 63,955	\$ 59,076						
Sales taxes	40,849	36,197	36,593	35,097	35,899						
Franchise taxes	10,144	8,818	8,460	10,692	5,834						
Unrestricted grants and contributions	-	-	-	292	348						
Investment earnings	1,864	1,042	964	-	-						
Gain on sale of capital assets	301	3,189	27	94	79						
Miscellaneous	25	494	3,034	-	7,823						
Transfers	(5,473)	(4,288)	(3,513)	(4,512)	(2,282)						
Total governmental activities	109,655	104,981	106,240	105,618	106,777						
Business-type activities:											
Investment earnings	4,615	2,823	1,353	1,424	1,079						
Gain on sale of capital assets	55	77	42	(21,867)	(6)						
Miscellaneous	-	-	-	-	1,644						
Transfers	5,473	4,288	3,513	4,512	2,282						
Total business-type activities	10,143	7,188	4,908	(15,931)	4,999						
Total primary government	\$ 119,798	\$ 112,169	\$ 111,148	\$ 89,687	\$ 111,776						
Changes in Net Assets											
Governmental activities	\$ (30,222)	\$ (5,743)	\$ (8,810)	\$ (8,758)	\$ (30,248)						
Business-type activities	(8,691)	(3,978)	(2,549)	21,694	(19,660)						
Total primary government	\$ (38,913)	\$ (9,721)	\$ (11,359)	\$ 12,936	\$ (49,908)						

Source: Statement of Activities

Note: Data for years 1997-2001 is currently not available.

City of Jackson
Governmental Activities Tax Revenues By Source
Last Ten Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Sales Tax</u>	<u>Franchise Tax</u>	<u>Motor Fuel Tax</u>	<u>Alcoholic Beverage Tax</u>	<u>Total</u>
2006	41,324	37,993	1,398	31	302	\$ 81,048
2005	40,509	35,673	1,406	31	267	77,886
2004	41,660	35,882	1,152	31	261	78,986
2003	41,660	35,097	1,376	31	249	78,413
2002	38,285	35,685	1,836	30	250	76,086
2001	34,347	35,641	1,436	29	236	71,689
2000	34,438	36,452	1,243	32	225	72,390
1999	31,478	37,358	1,099	32	219	70,186
1998	31,099	33,885	994	32	205	66,215
1997	28,251	33,706	968	32	194	63,151

Source: General Fund Budget and Actual Statement

City of Jackson
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(amounts expressed in thousands)

	Fiscal Year									
	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
General fund										
Reserved	\$ 3,622	\$ 3,435	\$ 3,094	\$ 3,564	\$ 3,954	\$ 3,896	\$ 4,103	\$ 6,230	\$ 7,891	\$ 4,960
Unreserved	12,041	9,535	14,678	14,961	11,834	10,550	15,051	19,182	16,860	15,126
Total general fund	<u>\$ 15,663</u>	<u>\$ 12,970</u>	<u>\$ 17,772</u>	<u>\$ 18,525</u>	<u>\$ 15,788</u>	<u>\$ 14,446</u>	<u>\$ 19,154</u>	<u>\$ 25,412</u>	<u>\$ 24,751</u>	<u>\$ 20,086</u>
All other governmental funds										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ 74	\$ 21,135	\$ 4,822	\$ 8,028	\$ 5,023	\$ 7,896
Unreserved, reported in:										
Special revenue funds	4,794	4,481	5,907	8,378	8,410	(10,432)	7,696	6,283	6,395	1,975
Capital project funds	12,063	22,926	34,404	41,263	25,174	30,373	30,643	36,135	6,027	5,193
Permanent funds	1,529	1,785	1,293	451	1,902	3,814	4,978	5,947	6,854	4,542
Total all other governmental funds	<u>\$ 18,386</u>	<u>\$ 29,192</u>	<u>\$ 41,604</u>	<u>\$ 50,092</u>	<u>\$ 35,560</u>	<u>\$ 44,890</u>	<u>\$ 48,139</u>	<u>\$ 56,393</u>	<u>\$ 24,299</u>	<u>\$ 19,606</u>

Source: Governmental Funds - Balance Sheet

City of Jackson
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(amounts expressed in thousands)

	Fiscal Year									
	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Revenues										
Taxes	\$ 60,221	\$ 59,078	\$ 59,979	\$ 60,412	\$ 56,654	\$ 54,783	\$ 54,824	\$ 52,641	\$ 50,497	\$ 48,478
Licenses and permits	2,968	2,199	2,673	2,353	2,544	2,564	2,712	2,802	2,681	2,790
Intergovernmental	63,338	59,769	55,620	62,596	66,481	53,734	56,809	52,582	51,155	51,408
Charges for services	3,150	3,446	3,155	2,857	2,814	2,457	1,737	1,826	1,520	1,557
Fines	3,202	3,123	3,123	3,007	3,325	3,684	3,849	3,773	4,045	3,917
Investment earnings	1,865	1,042	964	904	1,452	3,806	4,004	3,821	2,707	2,251
Special assessments	14	17	26	38	270	170	241	131	167	132
Miscellaneous	15,950	17,307	13,621	15,085	13,669	12,145	14,416	9,077	62,159	9,646
Total revenues	150,708	145,981	139,161	147,252	147,209	133,343	138,592	126,653	174,931	120,179
Expenditures										
General government	28,359	30,352	30,396	23,412	21,475	31,242	25,737	23,128	22,583	21,417
Public safety	58,984	56,471	59,173	53,767	50,775	47,378	48,910	49,292	43,960	39,421
Economic and physical development	-	-	-	-	-	1,843	2,369	1,376	1,938	4,505
Culture and recreation	16,550	13,686	9,496	11,770	6,464	2,158	4,963	4,892	4,321	3,731
Public Works	30,012	20,855	25,557	27,004	43,638	17,867	37,540	22,977	19,224	18,421
Employee Benefits	1,836	3,327	2,846	3,547	3,193	2,110	7,538	2,593	55,911	8,816
Health and Welfare	-	-	-	-	-	-	6,744	5,337	5,568	4,928
Capital Outlay	2,049	15,617	1,053	1,080	1,170	2,651	-	-	-	5,471
Debt service	-	-	-	-	-	-	-	-	-	-
Principal	13,190	12,912	11,500	13,300	41,960	11,945	8,370	10,820	6,875	6,650
Interest	4,584	4,150	5,977	6,262	7,011	7,346	5,063	8,557	4,240	4,704
Other charges	-	334	-	-	-	-	-	-	-	-
Miscellaneous	760	504	962	9,017	7,610	16,803	243	282	228	263
Total expenditures	156,324	158,208	146,960	149,159	183,296	141,343	147,477	129,254	164,848	118,327
Excess of revenues over (under) expenditures	(5,616)	(12,227)	(7,799)	(1,907)	(36,087)	(8,000)	(8,885)	(2,601)	10,083	1,852

	Fiscal Year									
	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Other financing sources (uses)										
Transfer in	4,116	4,296	7,174	17,328	15,753	1,028	(553)	358	2,929	2,851
Transfer out	(13,443)	(12,212)	(13,453)	(23,381)	(20,728)	(6,586)	(3,939)	(3,541)	(4,026)	(4,120)
Proceeds from capital leases	47	1,846	4,839	5,204	4,477	-	-	-	-	-
Proceeds from long-term note	6,783	750	-	-	31,173	3,114	2,104	4,026	-	-
Proceeds from refunding bonds	-	22,248	-	-	-	-	-	35,000	-	-
Sales of Bonds	-	-	-	20,000	-	-	-	-	-	-
Payments to refunded bond escrow agent	-	(21,914)	-	-	-	-	-	-	-	-
Total other financing sources (uses)	(2,497)	(4,986)	(1,440)	19,151	30,675	(2,444)	(2,388)	35,843	(1,097)	(1,269)
Net change in fund balances	\$ (8,113)	\$ (17,213)	\$ (9,239)	\$ 17,244	\$ (5,412)	\$ (10,444)	\$ (11,273)	\$ 33,242	\$ 8,986	\$ 583
Debt service as a percentage of noncapital expenditures	12.8%	12.4%	13.5%	15.1%	36.5%	15.8%	10.0%	17.6%	7.2%	10.6%

City of Jackson
General Governmental Tax Revenues By Source
Last Ten Fiscal Years
(modified accrual basis of accounting)
(amounts expressed in thousands)

Fiscal Year	Property Tax	Sales Tax	Franchise Tax	Motor Fuel Tax	Alcoholic Beverage Tax	Total
	2006	\$60,221	\$37,993	\$1,398	\$31	\$302
2005	59,079	35,673	1,406	31	267	96,456
2004	59,979	35,882	1,152	31	261	97,305
2003	60,411	35,097	1,376	31	249	97,164
2002	56,653	35,685	1,836	30	250	94,454
2001	54,783	35,641	1,436	29	236	92,125
2000	54,824	36,452	1,243	32	225	92,776
1999	52,641	37,358	1,099	32	219	91,349
1998	50,497	33,885	994	32	205	85,613
1997	48,478	33,706	968	32	194	83,378

Source: Governmental Funds - Statement of Revenues, Expenditures, and Changes in Fund Balance

City of Jackson
Assessed and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years (2)

Fiscal Year	Real Property		Personal Property		Total		Ratio of Total Assessed to Total Estimated Actual Value
	Assessed Value	Estimated Actual Value	Assessed Value (2)	Estimated Actual Value	Assessed Value (2)	Estimated Actual Value	
2006	\$ 657,256,904	\$ 5,079,239,993	\$ 452,073,610	\$ 2,081,230,213	\$ 1,109,330,514	\$ 7,160,470,206	10%,15%,and 30%
2005	646,330,913	5,049,924,236	450,491,882	2,058,904,287	1,096,822,795	7,108,828,523	10%,15%,and 30%
2004	647,107,272	5,064,263,293	449,595,540	2,056,352,200	1,096,702,812	7,120,615,493	10%,15%,and 30%
2003	645,275,896	5,058,517,697	450,036,558	2,047,883,870	1,095,312,454	7,106,401,567	10%,15%,and 30%
2002	648,515,478	5,082,209,647	457,215,511	2,072,729,643	1,105,730,989	7,154,939,290	10%,15%,and 30%
2001	572,009,657	4,514,020,527	456,399,511	2,158,493,493	1,028,409,168	6,672,514,020	10%,15%,and 30%
2000	559,692,098	4,407,089,183	468,776,459	2,194,620,657	1,028,468,557	6,601,709,840	10%,15%,and 30%
1999	559,638,299	4,419,016,266	456,316,595	2,063,278,520	1,015,954,894	6,482,294,786	10%,15%, and 30%
1998	553,577,543	4,361,772,160	447,772,600	1,969,326,240	1,001,350,143	6,331,098,400	10%,15%, and 30%
1997	545,994,027	4,382,770,260	425,602,308	1,966,756,077	971,596,335	6,349,526,337	10%,15%, and 30%
1996	536,424,860	4,309,676,843	397,541,216	1,879,942,543	933,966,076	6,189,619,386	10%,15%, and 30%

(1) Ad valorem tax property assessments within the City and the Jackson Municipal Separate School District are fixed at ten percent (10%) of appraised value for homeowner occupied real property, and fifteen percent (15%) of appraised value for all other real and personal property for Fiscal Years 1987-1996. State law required a reappraisal of all property in Mississippi in order to obtain an equitable and uniform appraisal in proportion to current market value, and property was assessed at fifteen percent (15%) beginning in Fiscal Year 1985. The assessed value for motor vehicles and for property owned by public service corporations is determined by an assessment schedule prepared each year by the State of Mississippi Tax Commission, and is set at approximately thirty percent (30%) of appraised value for Fiscal Year 1989 and thereafter.

(2) Includes automotive valuation.

SOURCE: Hinds, Rankin and Madison County Tax Collectors

**CITY OF JACKSON
PROPERTY TAX RATES
DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS**

Fiscal Year	City of Jackson			Overlapping Rates			Total Direct & Overlapping Rates		
	Operating Millage	Debt Service Millage	Total City Millage	School District					
				Debt Service & Operating County Millage	Operating Millage	Debt Service Millage		Total School Millage	Special Districts
2006	45.23	9.52	54.75	39.12	68.91	6.79	75.7	1.28	170.85
2005	45.23	9.52	54.75	39.12	68.91	6.79	75.70	1.28	170.85
2004	45.23	9.52	54.75	37.54	68.91	6.79	75.70	1.28	169.27
2003	45.23	9.52	54.75	37.54	68.91	6.79	75.70	1.28	169.27
2002	44.23	10.22	54.45	37.41	68.91	7.09	76.00	1.28	169.14
2001	41.23	10.72	51.95	35.41	68.27	7.02	75.29	1.28	163.93
2000	41.23	10.72	51.95	35.41	66.71	7.58	74.29	1.28	162.93
1999	40.23	11.72	51.95	35.41	66.71	7.58	74.29	1.28	162.93
1998	39.98	11.72	51.70	34.81	66.70	7.84	74.54	1.28	162.33
1997	38.2	11.72	49.92	34.81	66.72	9.60	76.32	1.28	162.33

Source: Hinds County Tax Collectors, Jackson Public School District, and Jackson/Hinds Library System

**City of Jackson
Principal Property Taxpayers
September 30, 2006
(amounts expressed in thousands)**

Taxpayer	2006			1997		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Bell South	\$ 79,392	1	8.73%	\$ 72,001	1	8.58%
Entergy	50,402	2	5.55%	40,121	2	4.78%
Atmos Energy	9,575	3	1.05%	5,957	9	0.71%
Jackson HMA	7,005	4	0.77%	-		-
AT& T	6,446	5	0.71%	23,402	3	2.79%
Trustmark National Bank	5,373	6	0.59%	3,236	10	0.39%
Plaza Investments	4,773	7	0.53%	-		-
Central MS Health Systems	4,473	8	0.49%	-		-
Jackson Medical Offices	3,823	9	0.42%	-		-
Gannett/ The Clarion Ledger	3,061	10	0.34%	-		-
McCarty Holman, Inc.	-		-	15,473	4	1.84%
Deposit Guaranty National Bank	-		-	7,838	5	0.93%
Metrocenter	-		-	7,680	6	0.92%
Southern Farm Bureau Insurance Company	-		-	6,432	7	0.77%
McRae's	-		-	6,413	8	0.76%
Totals	\$ 174,323		19.18%	\$ 188,553		22.47%

Source: Mississippi Chamber of Commerce

City of Jackson
Property Tax Levies and Collections
Last Ten Fiscal Years
(amounts expressed in thousands)

<u>Fiscal Year Ended September 30</u>	<u>Total Tax Levy for Fiscal Year</u>	<u>Collected within the Fiscal Year of the Levy</u>		<u>Collections in Subsequent Years</u>	<u>Total Collections to Date</u>	
		<u>Amount</u>	<u>Percentage of Levy</u>		<u>Amount</u>	<u>Percentage of Levy</u>
2006	\$ 52,019	\$ 50,928	97.9%	\$ 996	\$ 51,924	99.8%
2005	53,925	52,750	97.8	270	53,020	98.3
2004	51,710	50,606	97.9	301	50,907	98.4
2003	55,845	53,807	96.4	445	54,252	97.1
2002	53,295	50,401	94.6	250	50,651	95.0
2001	49,078	47,661	97.1	748	48,408	98.6
2000	48,399	47,335	97.8	1,345	48,679	100.6
1999	48,585	46,765	96.3	16	46,782	96.3
1998	48,128	45,908	95.4	193	46,101	95.8
1997	44,072	42,964	97.5	340	43,304	98.3

The total tax levy does not include automobile ad valorem taxes.

Beginning Fiscal Year 1988, the majority of school taxes collected were remitted directly to the Jackson Municipal Separate School District by Hinds County, the collecting agency.

City of Jackson
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
(amounts expressed in thousands, except per capita amount)

Fiscal Year	Governmental Activities			Business-Type Activities			Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bonds	Special Assessment Bonds	Capital Leases	Sewer Bonds	General Obligation Bonds	Capital Leases			
2006	58,715	-	16,009	173,700	-	1,379	249,803	4.35%	\$ 1,356
2005	66,525	-	12,601	179,250	-	1,417	259,793	4.89%	1,410
2004	73,195	-	14,105	115,995	-	2,550	205,845	3.88%	1,117
2003	80,180	-	12,179	121,400	630	3,442	217,831	4.31%	1,182
2002	69,365	-	9,085	132,226	1,205	4,117	215,998	4.27%	1,172
2001	76,735	180	6,616	88,226	1,730	3,718	177,205	3.77%	962
2000	85,905	350	5,764	93,895	2,205	4,144	192,263	4.25%	1,043
1999	94,015	510	6,476	98,314	2,640	2,128	204,083	4.54%	1,010
1998	65,670	665	4,436	67,683	3,040	306	141,800	3.25%	702
1997	71,845	810	7,020	71,867	3,400	435	155,377	3.72%	769

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

(1) See the Schedule of Demographic and Economic Statistics on page 116 for personal income and population data.

City of Jackson
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years
(amounts expressed in thousands, except per capita amount)

<u>Fiscal Year</u>	<u>Assessed Value</u>	<u>General Obligation Bonds</u>	<u>Less: Amounts Available in Debt Service Fund</u>	<u>Total</u>	<u>Percentage of Estimated Actual Taxable Value of Property (1)</u>	<u>Per Capita (2)</u>
2006	\$ 908,925	\$ 58,715	\$ 1,529	\$ 57,186	6.29%	\$ 310.79
2005	918,235	66,525	1,785	64,740	7.05%	351.36
2004	903,200	73,195	1,293	71,902	7.96%	390.23
2003	960,332	80,180	451	79,729	8.30%	432.71
2002	904,380	69,365	1,902	67,463	7.46%	366.14
2001	895,371	76,735	3,814	72,921	8.14%	395.76
2000	889,245	85,905	4,978	80,927	9.10%	439.21
1999	878,548	94,015	5,947	88,068	10.02%	435.85
1998	864,339	100,670	6,487	94,183	10.90%	466.11
1997	839,134	71,845	4,542	67,303	8.02%	333.08

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

- (1) See the Schedule of Assessed Value and Estimated Actual of Taxable Property on page 107 for property value data.
(2) Population data can be found in the Schedule of Demographic and Economic Statistics on page 116.

City of Jackson
Direct and Overlapping Governmental Activities Debt
As of September 30, 2006
(amounts expressed in thousands)

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes:			
Hinds County	\$ 27,055	76.57%	\$ 20,716
Jackson Public Schools	4,625	100%	4,625
Subtotal, overlapping debt			<u>25,341</u>
 City of Jackson direct debt	 58,715	 100%	 58,715
 Total direct and overlapping debt			 <u>\$ 84,056</u>

Sources: Assessed value data used to estimate applicable percentages by City of Jackson, Hinds County, and Jackson Public Schools.

Note: Overlapping governments are those that coincide with the geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Jackson. This process recognizes that, when considering the City of Jackson ability to issue and repay long-term debt, the entire debt burden borne by the residents and business should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the county's taxable assessed value that is with the government's boundaries and dividing it by the county's total taxable assessed value.

City of Jackson
Legal Debt Margin Information
Last Ten Fiscal Years
(amounts expressed in thousands)

	Fiscal Year									
	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Debt limit	\$ 158,399	\$ 159,636	\$ 159,437	\$ 158,886	\$ 160,907	\$ 152,180	\$ 150,270	\$ 149,279	\$ 144,547	\$ 143,763
Total net debt applicable to limit	<u>59,120</u>	<u>67,345</u>	<u>74,400</u>	<u>81,745</u>	<u>71,255</u>	<u>78,925</u>	<u>87,405</u>	<u>95,775</u>	<u>103,640</u>	<u>75,983</u>
Legal debt margin	<u>\$ 99,279</u>	<u>\$ 92,291</u>	<u>\$ 85,037</u>	<u>\$ 77,141</u>	<u>\$ 89,652</u>	<u>\$ 73,255</u>	<u>\$ 62,865</u>	<u>\$ 53,504</u>	<u>\$ 40,907</u>	<u>\$ 67,780</u>

Total net debt applicable to the limit
as a percentage of the debt limit

Legal Debt margin Calculation for Fiscal Year 2006

Assessed value	\$ 1,106,795
Less Homestead Exemption	\$ 50,799
Total assessed value	<u>\$ 1,055,996</u>
Debt limit (15% of total assessed value)	158,399
Debt application to limit:	
Bond indebtedness	250,670
Less: Amount set aside for repayment of revenue bond debt	<u>(191,550)</u>
Total net debt applicable to limit	<u>\$ 59,120</u>
Legal debt margin	<u>\$ 99,279</u>

Note: Under state finance law, the City of Jackson's outstanding general obligation debt should not exceed 15 percent of total assessed property value. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation bonds.

City of Jackson
Pledged-Revenue Coverage
Last Ten Fiscal Years
(amounts expressed in thousands)

Fiscal Year	Water/Sewer Charges and Other			Less: Operating Expenses			Sewer Revenue Bonds			Special Assessment Bonds (1)		
	Available Revenue	Net Available Revenue	Debt Service	Special Assessment Collections	Debt Service	Debt Service	Principal	Interest	Coverage	Principal	Interest	Coverage
2006	\$ 45,495	\$ 23,985	\$ 5,550	\$ 21,510	\$ 8,787	\$ -	\$ -	\$ -	1.50	\$ -	\$ -	\$ -
2005	41,166	22,387	7,095	18,779	5,924	-	-	-	1.44	-	-	-
2004	40,012	23,394	5,405	16,618	6,651	-	-	-	1.38	-	-	-
2003	44,387	21,903	6,555	22,484	6,587	-	-	-	1.71	-	-	-
2002	44,453	20,609	5,410	23,844	4,425	180	9	154	2.42	180	9	20.00
2001	33,524	21,411	5,175	12,113	4,680	170	18	170	1.23	170	18	9.44
2000	33,964	20,111	4,960	13,853	5,242	160	26	141	1.36	160	26	6.15
1999	35,802	19,202	4,030	16,600	3,135	155	33	130	2.32	155	33	4.70
1998	31,676	18,036	3,870	13,640	3,298	145	40	167	1.90	145	40	3.63
1997	32,293	17,927	3,720	14,366	3,447	135	46	132	2.00	135	46	2.93

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements. Operating expenses do not include interest or depreciation.

(1) No principal or interest payments were schedule fiscal years 2003-2006 for Special Assessment Bonds.

City of Jackson
Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	Population (1)	Personal Income (amounts expressed in thousands)	Per Capita Personal Income (3)	Median Age (4)	Education Level in Years of Formal Schooling (2)	School Enrollment (2)	Unemployment Rate (3)
2006	184,256	\$5,744,549	\$31,177	31.9	12.3	32,403	4.4%
2005	184,256	5,308,231	28,809	31.0	12.3	32,000	8.3%
2004	184,256	5,308,231	28,809	34.3	12.3	31,580	4.5%
2003	184,256	5,053,774	27,428	34.2	12.3	31,508	5.0%
2002	184,256	5,053,774	27,428	34.2	12.3	31,240	5.5%
2001	184,256	4,699,634	25,506	34.2	12.3	31,436	4.5%
2000	184,256	4,522,011	24,542	34.0	12.3	31,400	5.1%
1999	202,062	4,491,232	22,227	33.7	12.3	31,400	3.5%
1998	202,062	4,362,923	21,592	32.3	12.3	32,071	4.4%
1997	202,062	4,171,772	20,646	32.3	12.3	31,843	4.4%

Data Sources

- (1) Mississippi Census Bureau
- (2) Jackson Public Schools Program Evaluation
- (3) Mississippi Employment Security Commission
- (4) Mississippi Census Bureau

**City of Jackson
Principal Employers
Current Year and Nine Years Ago**

Employer	2006			1997		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
State of Mississippi	31,556	1	17.13%			
University of Mississippi	7,200	2	3.91%			
U.S. Government	5,550	3	3.01%			
Jackson Public School District	4,500	4	2.44%			
Baptist Health Systems	2,700	5	1.47%			
St. Dominic Health Services	2,600	6	1.41%			
City of Jackson, Mississippi	2,400	7	1.30%			
Trustmark National Bank	1,600	8	0.87%			
Saks, Inc.	1,440	9	0.78%			
Jackson State University	1,388	10	0.75%			
	<u>60,934</u>		<u>33.07%</u>			

Source: Mississippi Employment Security Commission

Note: Data for 1997 is currently not available.

City of Jackson
Full-time Equivalent City Government Employees by Function
Last Ten Fiscal Years

Function	Full-time Equivalent Employees by Function									
	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
General government	300	304.5	299.5	311	304	379	384	398	342	365
Public safety										
Police										
Officers	468	490	490	458	429	429	416	362	368	386
Civilians	174	284	284	296	296	296	321	300	308	324
Fire										
Firefighters and officers	356	353	361	376	367	394	384	367	359	369
Civilians	8	12	11	13	13	18	18	17	19	24
Public works	625	645	606	608	648	673	687	670	637	628
Culture and Recreation	424	436.5	452.5	465	454	530	565.5	516	468	475
Planning and Development	77	88	90	96	101	101	102.5	92	97	99
Total	<u>2432</u>	<u>2613</u>	<u>2594</u>	<u>2623</u>	<u>2612</u>	<u>2820</u>	<u>2878</u>	<u>2722</u>	<u>2598</u>	<u>2670</u>

Source: City of Jackson Budget Office.

City of Jackson
Operating Indicators by Function
Last Ten Fiscal Years

Function	Fiscal Year									
	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Police										
Physical arrests	-	-	-	-	-	-	-	-	-	-
Parking violations	20,490	25,994	24,970	27,937	22,092	30,586	38,438	43,861	46,283	40,189
Traffic violations	30,061	36,837	47,324	48,587	41,682	37,945	36,369	31,269	34,318	35,445
Fire										
Number of call answered	12,259	12,856	12,602	12,823	-	-	-	-	-	-
Inspections (3)	4,086	4,626	3,727	4,229	5,518	-	-	-	-	-
Highways and streets										
Street resurfacing (miles)	7.1	5.9	9.5	16.0	6.3	13.3	19.8	60.6	50.5	40.8
Potholes repaired (2)	4,011	5,014	5,724	2,194	-	-	-	-	-	-
Sanitation										
Refuse collected (tons/day)	1,447.8	1,420.7	3,612.3	3,401.0	4,233.3	2,343.0	1,459.3	1,716.4	1,877.5	1,701.0
Recyclables collected (tons/day)(1)	99.68	85.95	-	-	-	-	-	-	-	-
Culture and recreation										
Community center admissions (3)	95	115	168	-	-	-	-	-	-	-
Water										
New connections	602	399	501	517	515	594	592	619	521	502
Water mains breaks	1,088	874	955	1,051	1,102	1,817	1,743	-	-	-
Average daily consumption (thousands of gallons) (3)	21,530	20,630	21,160	21,250	23,700	24,120	25,290	-	-	-
Wastewater										
Average daily sewage treatment (thousands of gallons)	42,100	47,200	46,100	52,400	45,600	43,900	37,300	38,400	4,210	42,300

Source: Various City of Jackson departments.

(1) The City of Jackson Sanitation Division implemented their recycling program in March 2005.

(2) The City of Jackson Streets Division implemented a new system of reporting potholes. Therefore data for fiscal years 1997-2002 is not available.

(3) The dashes indicate data that is not available.

City of Jackson
Capital Asset Statistics by Function
Last Ten Fiscal Years

Function	Fiscal Year									
	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Public safety										
Police Stations	5	5	5	5	5	5	5	5	5	5
Fire stations	21	21	21	21	21	21	21	21	21	22
Highways and streets										
Streets (miles)	1,428	1,428	1,428	1,435	1,435	1,435	1,425	1,435	1,425	1,425
Streetlights	23,262	23,262	23,262	23,262	23,220	23,203	22,740	22,589	21,142	21,026
Traffic signals	332	332	332	-	-	-	-	-	-	-
Culture and recreation										
Parks	54	54	54	54	54	54	52	52	52	52
Swimming pools	9	9	9	9	9	9	9	9	9	9
Tennis courts	61	61	61	61	61	61	61	61	59	59
Community centers	10	10	10	10	10	10	10	10	15	15
Water										
Water mains (miles)	1,220	1,220	1,220	1,220	1,220	1,214	1,214	1,212	1,212	1,212
Fire hydrants	7,500	-	-	-	-	-	-	-	-	-
Maximum daily capacity (thousands of gallons)	25,600	25,600	25,600	25,600	25,600	25,600	25,600	25,600	26,778	26,778
Sewer										
Sanitary sewers (miles)	909	909	909	909	909	906	906	904	902	902
Storms sewers (miles)	460	460	460	460	460	450	450	416	411	411

Source: Various City of Jackson departments.

(1) The dashes indicate data that is not available.

SINGLE AUDIT

CITY OF JACKSON
 SCHEDULE OF BONDS OF CITY OFFICIALS
 September 30, 2006

1) Company: Bryson Insurance Agency
 Limits of liability: Honesty Blanket Position Bond Coverage

<u>Position</u>	<u>Coverage per each</u>	<u>Term of bond</u>
All employees, except Mayor, City Administrative Officer, City Council (7), Director of Administration, Chief of Police, City Clerk, Deputy Chief of Police, Deputy Clerks (8)	\$80,000	03/28/06 - 03/28/07

2) Company: Meyer & Rosenbaum, Inc.
 Bryson Insurance Agency
 Boyles Moak Brickell Marchetti
 Statewide General Insurance

Limits of liability: Surety Bond coverage as follows:

<u>Position</u>	<u>Coverage per each</u>	<u>Term of bond</u>
City Council (7)	\$100,000	07/04/06 - 07/04/07
Mayor	\$100,000	07/04/06 - 07/04/07
City Administrative Officer	\$50,000	07/04/06 - 07/04/07
City Clerk	\$50,000	05/01/06 - 05/01/07
Director of Administration	\$50,000	05/16/06 - 12/31/06
Chief of Police	\$50,000	07/05/06 - 07/05/07
Deputy Chief of Police	\$25,000	04/01/06 - 04/01/07
Deputy Clerk (6)	\$10,000	04/01/06 - 04/01/07
Deputy Clerk	\$10,000	08/22/06 - 08/22/07
Deputy Clerk	\$10,000	02/01/06 - 02/01/07

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The Honorable Mayor Frank E. Melton
and Honorable Members of the City Council
City of Jackson, Mississippi

**Independent Auditors' Report on Internal Control Over Financial Reporting and
on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With *Government Auditing Standards***

We have audited the financial statements of the City of Jackson, Mississippi (the City) as of and for the year ended September 30, 2006, and have issued our report thereon dated August 29, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not to express an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting presented as findings 2006-1, 2006-2, 2006-3, 2006-4 and 2006-5.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider findings 2006-2, 2006-3, 2006-4 and 2006-5 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2006-6.

We also noted certain additional matters that we reported to management of the City in a separate letter dated August 29, 2007.

This report is intended solely for the information and use of the Mayor, City Council, management, others within the City, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Smith, Turner & Reeves P.A.

Bruno & Tervalon LLP

Jackson, Mississippi
August 29, 2007

The Honorable Mayor Frank E. Melton
and Honorable Members of the City Council
City of Jackson, Mississippi

**Independent Auditors' Report on Compliance
With State Laws and Regulations**

We have audited the financial statements of the City of Jackson, Mississippi (the City) as of and for the year ended September 30, 2006, and have issued our report thereon dated August 29, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

As required by the state legal compliance program prescribed by the Office of State Auditor, we have also performed procedures to test compliance with certain state laws and regulations. However, providing an opinion on compliance with state laws and regulations was not an objective of our audit, and, accordingly, we do not express such an opinion.

The results of those procedures and our audit of the general purpose financial statements disclosed no material instances of noncompliance with state laws and regulations. The prior year findings have been corrected.

This report is intended solely for the information and use of the Mayor, City Council, management, others within the City and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Smith, Turner & Reeves P.A.

Bruno & Tervalon LLP

Jackson, Mississippi
August 29, 2007

City of Jackson
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2006

Federal Agency/Program	Federal CFDA Number	Pass Through Grantors Number	Current Year Federal Expenditures	Cumulative Expenditures through 09/30/06
<u>U.S. Department of Health and Human Services</u>				
Direct Program				
Metropolitan Medical Response System	93.000	233-01-0043	\$ 3,022	\$ 238,340
SUBTOTAL CFDA NUMBER 93.000			<u>3,022</u>	<u>238,340</u>
Title III-B-Special Program for the Aging (Central MS Planning and Development District - Pass Through)				
Outreach	93.667	377-G-25	10,000	10,000
SUBTOTAL CFDA NUMBER 93.667			<u>10,000</u>	<u>10,000</u>
Title III-C-I Older American Act (Central MS Planning and Development District - Pass Through)				
Congregate Nutrition Program (Non-cash)	93.045	378-G-25	64,409	64,409
SUBTOTAL CFDA NUMBER 93.045			<u>64,409</u>	<u>64,409</u>
(State of MS Office of Child Nutrition - Pass Through)				
Child Care Development Block Grant	93.575	625Q651	1,148,313	1,446,080
SUBTOTAL CFDA NUMBER 93.575			<u>1,148,313</u>	<u>1,446,080</u>
(Mississippi Development Authority - Pass Through)				
Urban Enterprise Grant	93.585	EZ03-EZ/Urban	138,446	2,007,458
SUBTOTAL CFDA NUMBER 93.585			<u>138,446</u>	<u>2,007,458</u>
Title XX-Social Services Block Grant (Central MS Planning and Development District - Pass Through)				
Transportation	93.667	396-Z-25	74,767	74,767
Home Delivered Meals (Non-cash)	93.667	396-Z-25	204,442	204,442
SUBTOTAL CFDA NUMBER 93.667			<u>279,209</u>	<u>279,209</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>1,643,399</u>	<u>4,045,496</u>
<u>U.S. Department of Housing and Urban Development</u>				
Community Development Block Grant				
	14.218	B-04-MC-28-0003	1,580,713	2,473,426
SUBTOTAL CFDA NUMBER 14.218			<u>1,580,713</u>	<u>2,473,426</u>
Emergency Shelter Program				
	14.231	S-04-MC-28-0002	46,353	115,591
Emergency Shelter Program	14.231	S-05-MC-28-0002	74,436	74,436
SUBTOTAL CFDA NUMBER 14.231			<u>120,789</u>	<u>190,027</u>
Home Investment Partnership Program				
	14.239	M-99-MC-28-0200	99,894	1,396,218
Home Investment Partnership Program	14.239	M-00-MC-28-0200	229,466	1,253,094
Home Investment Partnership Program	14.239	M-01-MC-28-0200	150,667	1,035,369
Home Investment Partnership Program	14.239	M-02-MC-28-0200	246,378	1,593,138
Home Investment Partnership Program	14.239	M-03-MC-28-0200	394,368	467,465
Home Investment Partnership Program	14.239	M-04-MC-28-0200	129,111	129,111
SUBTOTAL CFDA NUMBER 14.239			<u>1,249,884</u>	<u>5,874,395</u>
HOPWA				
	14.241	MS-H04-F001	88,162	724,000
HOPWA	14.241	MS-H05-F001	465,145	465,145
SUBTOTAL CFDA NUMBER 14.241			<u>553,307</u>	<u>1,189,145</u>
Economic Development Initiative Special Project				
	14.246	B-00-SP-MS-0212	101,367	1,010,623
Economic Development Initiative Special Project	14.246	B-01-SP-MS-0744	-	356,213
Economic Development Initiative Special Project	14.246	B-02-SP-MS-0352	-	1,768
SUBTOTAL CFDA NUMBER 14.246			<u>101,367</u>	<u>1,368,604</u>
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			<u>3,606,060</u>	<u>11,095,597</u>

The accompanying notes are an integral part of this schedule. See auditor's report on supplementary schedules

City of Jackson
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2006

Federal Agency/Program	Federal CFDA Number	Pass Through Grantors Number	Current Year Federal Expenditures	Cumulative Expenditures through 09/30/06
U.S. Department of Justice				
Direct Program:				
Nunn-Lugar-Domenici Domestic Preparedness Program	16.006	2002-TE-CX-0032	\$ 24,536	\$ 273,555
SUBTOTAL CFDA NUMBER 16.006			<u>24,536</u>	<u>273,555</u>
(Mississippi Department of Public Safety - Pass Through)				
Juvenile Accountability Incentive Block Grant	16.523	02JB2191	26,773	144,411
Juvenile Accountability Incentive Block Grant	16.523	03JB2191	128,690	128,690
SUBTOTAL CFDA NUMBER 16.523			<u>155,463</u>	<u>273,101</u>
Direct Program:				
Juvenile Justice Delinquency Prevention (GED/Beyond)	16.540	2003-JS-FX-0007	77,615	276,422
SUBTOTAL CFDA NUMBER 16.540			<u>77,615</u>	<u>276,422</u>
(Mississippi Department of Public Safety - Pass Through)				
Byrne Formula Grant	16.579	3NW2191	991	64,817
Byrne Formula Grant	16.579	4NW2191	65,543	65,543
SUBTOTAL CFDA NUMBER 16.579			<u>66,534</u>	<u>130,360</u>
Stop Violence Against Women Grant	16.588	04SL2191	42,562	56,419
SUBTOTAL CFDA NUMBER 16.588			<u>42,562</u>	<u>56,419</u>
Direct Programs:				
Local Law Enforcement Block Grant	16.592	2003-LB-BX-2672	3,664	210,567
Local Law Enforcement Block Grant	16.592	2004-LB-BX-1473	3,029	29,817
SUBTOTAL CFDA NUMBER 16.592			<u>6,693</u>	<u>240,384</u>
Weed & Seed	16.595	04-WS-Q4-0239	47,052	54,052
Weed & Seed	16.595	05-WS-Q5-0274	142,603	142,603
SUBTOTAL CFDA NUMBER 16.595			<u>189,655</u>	<u>196,655</u>
COPS - Technology	16.710	2002CKWX0096	1,500	725,000
COPS - Technology	16.580	2003DDBX0345	255,773	772,417
COPS - Technology	16.710	2004CKWX0203	-	42,072
BJA - Technology	16.580	2004DDB41389	173,455	311,809
COPS - Technology	16.738	2005DJBX0981	140,180	140,180
BJA - Technology	16.580	2005DDBX1170	241,415	241,415
COPS - Universal Hiring Grant	16.710	95ULWX0025	1,245,590	4,876,943
SUBTOTAL CFDA NUMBER			<u>2,057,913</u>	<u>7,109,836</u>
Project Safe Neighborhood	16.609	03PS2191	47,383	47,383
SUBTOTAL CFDA NUMBER 16.609			<u>47,383</u>	<u>47,383</u>
Safe Neighborhood Youth Development	16.541	2006-JL-FX-0079	675	675
SUBTOTAL CFDA NUMBER 16.541			<u>675</u>	<u>675</u>
Youth Entrepreneurship Program	16.541	2005-JL-FX-0262	100,997	100,997
SUBTOTAL CFDA NUMBER 16.541			<u>100,997</u>	<u>100,997</u>
TOTAL U.S. DEPARTMENT OF JUSTICE			<u>2,770,026</u>	<u>8,705,787</u>
U.S. Environmental Protection Agency				
Direct Programs:				
O. B. Curtis Water Project	66.606	XP-97435701-3	-	1,438,400
SUBTOTAL CFDA NUMBER 66.606			<u>-</u>	<u>1,438,400</u>
TOTAL U.S. ENVIRONMENTAL PROTECTION AGENCY			<u>-</u>	<u>1,438,400</u>
U.S. Office of National Drug Control Policy				
(MS Gulf Coast HIDTA - Pass Through)				
High Intensity Drug Trafficking Area (HIDTA)	07.999	I5PGCP523Z	24,876	103,261
High Intensity Drug Trafficking Area (HIDTA)	07.999	I6PGCP523Z	9,512	9,512
SUBTOTAL CFDA NUMBER 07.999			<u>34,388</u>	<u>112,773</u>
TOTAL U.S. OFFICE OF NATIONAL DRUG CONTROL POLICY			<u>34,388</u>	<u>112,773</u>

The accompanying notes are an integral part of this schedule. See auditor's report on supplementary schedules

City of Jackson
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2006

Federal Agency/Program	Federal CFDA Number	Pass Through Grantors Number	Current Year Federal Expenditures	Cumulative Expenditures through 09/30/06
U.S. Department of Transportation				
Federal Transit Authority				
Direct Programs:				
Federal Transit Formula Grants	20.507	MS-03-00-12	\$ -	\$ 1,913,848
Federal Transit Formula Grants	20.507	MS-03-00-13	3,856,759	4,812,050
Federal Transit Formula Grants	20.507	MS-03-00-14	-	2,028,645
Federal Transit Formula Grants	20.507	MS-90-X0-70	986,232	6,082,154
Federal Transit Formula Grants	20.507	MS-90-X0-72	2,022,186	3,373,214
SUBTOTAL CFDA NUMBER 20.507			6,865,177	18,209,911
Highway Planning and Construction (TS-204)	20.205	STP/G-0250(13A)/48-0250-00-013-10	25,281	1,694,507
SUBTOTAL CFDA NUMBER 20.205			25,281	1,694,507
Highway Planning and Construction (High Street)	20.205	STP-7262-(2)-49-7262	28,360	6,210,296
SUBTOTAL CFDA NUMBER 20.205			28,360	6,210,296
Rural Transportation Grant (Inter-City Bus/Rural Carrier Facility)	20.509	501353	-	1,750,000
SUBTOTAL CFDA NUMBER 20.509			-	1,750,000
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			6,918,818	27,864,714
U.S. Department of Labor				
Older Americans Act				
(Central Mississippi Planning and Development District - Pass Through)				
Senior Community Service Employment (Title V)	17.235	398-D-25	21,615	29,034
Senior Community Service Employment (Title V)	17.235	398-E-25	3,956	3,956
(Senior Service America, Inc. - Pass Through)				
Senior Aides - Title V	17.235	AD-14135-04-60	-	-
Senior Aides - Title V	17.235	AD-13734-04-60	240,783	240,783
SUBTOTAL CFDA NUMBER 17.235			266,354	273,773
Workforce Investment Act				
Employment and Training Administration	17.261	AF-14480-05-60	96,591	119,292
SUBTOTAL CFDA NUMBER 17.261			96,591	119,292
TOTAL U.S. DEPARTMENT OF LABOR			362,945	393,065
U.S. Department of Agriculture				
Food and Nutrition Service (MS Department of Education - Pass Through)				
Child Care Food Program	10.558	V0000718080	281,261	281,261
SUBTOTAL CFDA NUMBER 10.558			281,261	281,261
Child Care Food Program(Summer Feeding)	10.559	V0000718080	126,304	126,304
SUBTOTAL CFDA NUMBER 10.559			126,304	126,304
(Central Mississippi Planning and Development District - Pass Through)				
Child Care Food Program(Title XX Home Delivered Meals) (Non-cash)	10.565	396-Z-25	61,709	61,709
Child Care Food Program(Title IIIC-1) (Non-cash)	10.565	378-G-25	23,050	23,050
SUBTOTAL CFDA NUMBER 10.565			84,759	84,759
TOTAL U.S. DEPARTMENT OF AGRICULTURE			492,324	492,324
U.S. Department of Commerce				
Direct Program:				
Economic Development Administration Grant	11.300	04-01-04-802	-	1,350,000
SUBTOTAL CFDA NUMBER 11.300			-	1,350,000
TOTAL U.S. DEPARTMENT OF COMMERCE			-	1,350,000

The accompanying notes are an integral part of this schedule. See auditor's report on supplementary schedules

City of Jackson
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2006

Federal Agency/Program	Federal CFDA Number	Pass Through Grantors Number	Current Year Federal Expenditures	Cumulative Expenditures through 09/30/06
<u>U.S. Institute of Museum and Library Service</u>				
Institute of Museum and Library Service	45.312	CM-00-03-0045-03	\$ 28,329	\$ 46,005
SUBTOTAL CFDA NUMBER 45.312			<u>28,329</u>	<u>46,005</u>
TOTAL U.S. INSTITUTE OF MUSEUM AND LIBRARY SERVICE			<u>28,329</u>	<u>46,005</u>
<u>U.S. Department of Homeland Security</u>				
Mississippi Emergency Management Agency (Pass-Through)				
Public Assistance Grants	97.004	MEMA-04HS221	-	6,790
SUBTOTAL CFDA NUMBER 97.004			<u>-</u>	<u>6,790</u>
Mississippi Emergency Management Agency (Pass-Through)				
Public Assistance Grants	97.004	MEMA-04LE221	209,887	209,887
SUBTOTAL CFDA NUMBER 97.004			<u>209,887</u>	<u>209,887</u>
Mississippi Emergency Management Agency (Pass-Through)				
Public Assistance Grants	97.004	MEMA-05LE221	81,175	81,175
SUBTOTAL CFDA NUMBER 97.004			<u>81,175</u>	<u>81,175</u>
Mississippi Emergency Management Agency (Pass-Through)				
Public Assistance Grants	97.004	MEMA-1DPG-011	-	69,311
SUBTOTAL CFDA NUMBER 97.004			<u>-</u>	<u>69,311</u>
Mississippi Emergency Management Agency (Pass-Through)				
Public Assistance Grants	97.004	MEMA-2DPG-88	-	24,844
SUBTOTAL CFDA NUMBER 97.004			<u>-</u>	<u>24,844</u>
Mississippi Emergency Management Agency (Pass-Through)				
Public Assistance Grants	97.004	MEMA-3SSG-2022	202,855	315,094
SUBTOTAL CFDA NUMBER 97.004			<u>202,855</u>	<u>315,094</u>
Mississippi Emergency Management Agency (Pass-Through)				
Public Assistance Grants	97.004	MEMA-3SSG-5027	-	5,197
SUBTOTAL CFDA NUMBER 97.004			<u>-</u>	<u>5,197</u>
Mississippi Emergency Management Agency (Pass-Through)				
Public Assistance Grants	97.004	MEMA-3SSG-5028	-	7,599
SUBTOTAL CFDA NUMBER 97.004			<u>-</u>	<u>7,599</u>
Mississippi Emergency Management Agency (Pass-Through)				
Public Assistance Grants	97.004	MEMA-3SUP-52	43,135	135,031
SUBTOTAL CFDA NUMBER 97.004			<u>43,135</u>	<u>135,031</u>
Mississippi Emergency Management Agency (Pass-Through)				
Public Assistance Grants	97.004	CCRT	386,718	521,747
SUBTOTAL CFDA NUMBER 97.004			<u>386,718</u>	<u>521,747</u>
Mississippi Emergency Management Agency				
Public Assistance Grants	97.004	MEMA-3SSGE-8007	109,304	109,304
SUBTOTAL CFDA NUMBER 97.004			<u>109,304</u>	<u>109,304</u>
Mississippi Emergency Management Agency				
Public Assistance Grants	97.004	MEMA-04-FG20699	156,303	156,303
SUBTOTAL CFDA NUMBER 97.004			<u>156,303</u>	<u>156,303</u>
Mississippi Emergency Management Agency				
FEMA Disaster Recovery Grant	97.036	FEMA-1604-DR-MS	5,453,667	5,453,667
SUBTOTAL CFDA NUMBER 97.036			<u>5,453,667</u>	<u>5,453,667</u>
Mississippi Emergency Management Agency (Pass-Through)				
Public Assistance Grants	97.036	FEMA-1459-DR-MS	-	281,179
SUBTOTAL CFDA NUMBER 97.036			<u>-</u>	<u>281,179</u>
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			<u>6,643,044</u>	<u>7,377,128</u>
<u>Mississippi Commission for Volunteer Service</u>				
Americorp Capitol City Rebuild	94.006	06AC059003	4,843	4,843
SUBTOTAL CFDA NUMBER 94.006			<u>4,843</u>	<u>4,843</u>
TOTAL MISSISSIPPI COMMISSION FOR VOLUNTEER SERVICE			<u>4,843</u>	<u>4,843</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 22,504,176</u>	<u>\$ 62,926,132</u>

The accompanying notes are an integral part of this schedule. See auditor's report on supplementary schedules

City of Jackson
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2006

Federal Agency/Program	Federal CFDA Number	Pass Through Grantors Number	Current Year Federal Expenditures	Cumulative Expenditures through 09/30/06
<u>State of MS Commission on Environmental Quality</u>				
<u>(Department of Environmental Quality)</u>				
The City of Jackson has the following loans payable to the Department of Environmental Quality at September 30, 2006 which were used for sewer improvements and to construct pollution control facilities.				
Lynch Creek Sewer Improvements 4% note dated September 30, 1992	66.458	SRF-C280785-01-0	-	\$ 3,343,634
Lynch Creek Interceptor 4.5% note dated January 30, 1995	66.458	SRF-C280785-02-1	-	1,141,510
West Bank Interceptor (Fairgrounds) 1.75% note dated July 1, 2003	66.458	SRF-C280886-01-1	-	1,941,016
Lynch Creek Interceptor Replacement 3.0% note dated June 1, 2003	66.458	SRF-C280785-04-2	-	4,856,183
Lynch Creek Interceptor Replacement 4.5% note dated September 30, 1994 as amended March 1996	66.458	SRF-C280785-03-1	-	1,754,306
O. B. Curtis Water Treatment Plant	66.458	SRF-C280838-01-1	-	5,088,465
TOTAL DEPARTMENT OF ENVIRONMENTAL QUALITY				<u>\$ 18,125,114</u>

CITY OF JACKSON
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2006

NOTE 1. *Basis of Presentation*

The accompanying schedule of expenditures of federal awards includes the federal grant Activity of the City of Jackson and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general-purpose financial statements.

NOTE 2. *Subrecipients*

Of the federal expenditures presented in the schedule, the City of Jackson provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
Community Development Block Grant – Entitlement Grants	14.218	\$ 609,357
Home Investment Partnership Program	14.239	585,760
Emergency Shelter Grant Program	14.231	68,784
Urban Enterprise Grant	93.585	<u>89,901</u>
Total		<u>\$ 1,353,802</u>



The Honorable Mayor Frank E. Melton
and Honorable Members of the City Council
City of Jackson, Mississippi

**Independent Auditor's Report on Compliance With Requirements Applicable
to Each Major Program and on Internal Control Over Compliance
in Accordance With OMB Circular A-133**

Compliance

We have audited the compliance of the City of Jackson, Mississippi (the City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2006. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

As described in finding 2006-8 in the accompanying schedule of findings and questioned costs, the City did not comply with the requirements regarding reporting that are applicable to CFDA # 16.710, CFDA # 20.500, CFDA # 20.507 and CFDA # 97.004 federal financial assistance programs. Compliance with such requirement is necessary, in our opinion, for the City to comply with the requirements applicable to that program. In our opinion, except for the noncompliance described in the preceding paragraph, the City of Jackson, Mississippi complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2006.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for

the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies and others that we consider to be material weaknesses.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2006-7 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs, we consider items 2006-7 to be material weaknesses.

The City's response to the findings as identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Mayor, City Council, management, others within the City and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Bruno & Tervalon LLP

Jackson, Mississippi
August 29, 2007

**CITY OF JACKSON
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED SEPTEMBER 30, 2006**

2005-1 FINDING NO. 1 – SECTION 2

Condition: We determined there is no procedure to account for all issued tickets processed after the tickets are returned to Traffic and Court Services. In addition, there is no follow-up on issued books of tickets which are not returned after a reasonable period of time. Additionally, we noted a significant amount of tickets is being turned in late, some more than 30 days after the issue date.

Recommendation: The auditors recommended that management should develop procedures to ensure all tickets are returned promptly after issuance and properly recorded.

Current Status: Corrected

Condition: It was noted that the deputy clerks in Traffic and Court Services have capabilities to both enter tickets and process payments on tickets. Although the Judge computer program calculates the fines related to each violation, the clerk could accidentally or intentionally change the code to reduce or increase the fines.

Recommendation: The auditors recommended that management should consider software controls to prevent clerks collecting cash from changing codes, provide for segregation of duties and implement a review process by another party what would verify entries into the system back to the supporting documentation.

Current Status: Corrected

2005-2 FINDING NO. 2 – SECTION 2

Condition: The Utility Management System (hardware) was down for 45 days. The Water and Sewer Department, for all practical purposes, was shut down. They were able to accept payments but were unable to post them. They were unable to read meters and to process sales. As of the date of our fieldwork in early October, there were still several days which had not been balanced.

Recommendation: The auditors recommended that the Water and Sewer Department, as well as all of the other departments at the City should have in place an effective disaster recovery plan to prevent business disruption whether caused by an internal problem or natural disaster.

Current Status: Backup procedures have been implemented however a comprehensive disaster recovery plan has not been developed.

Condition: We understand that many of the service order tickets issued by the Billing Department to the Water Maintenance Department for pulling meters, checking for dead meters and leaks and other jobs are not returned. Current procedures do not require the service orders to be returned.

Recommendation: The auditors recommended that all service order tickets should be accounted for by the Water Maintenance Department.

2005-3 – FINDING NO. 3 – SECTION 2

Condition: The City should improve its controls over information technology. Various issues were discovered that place the City at risk for network outages and security breaches, as well as critical system failures.

Recommendation: The auditors recommended that the City should undertake a comprehensive review of its Information Technology System. Such a review should include placing a high priority on replacement of the Water/Sewer/Sanitation billing application programs. The deficiencies are discussed in more detail in a separate letter to the City dated May 12, 2006.

Current Status: Not Corrected

2005-4 – FINDING NO. 4 – SECTION 2

Condition: The City's procedures do not include account review and reconciliations in a number of significant account balances and transactions classes.

Recommendation: The auditors recommended that the City assign the responsibility for performing periodic account review and reconciliations of significant asset and liability accounts to an appropriately trained employee. Reconciliations of the City's water/sewer/sanitation customer accounts may require significant software changes to affect accurate reconciliations in that area.

Current Status: Not Corrected

2005-5 – FINDING NO. 5 – SECTION 3

Condition: The City's procedures for administration of grants do not provide for appropriate oversight and monitoring of a major area of the City's financial transactions.

Recommendation: The auditors recommended that the City adopt appropriate monitoring of its grants administration to provide effective oversight. Such oversight should ensure that grants administration personnel are appropriately trained and grants records and reports are subjected to review procedures to provide reasonable assurance of compliance with grant requirements.

Current Status: Not Corrected

CITY OF JACKSON, MISSISSIPPI
Schedule of Findings and Questioned Costs
Year Ended September 30, 2006

Section 1: Summary of Auditors' Results

General Purpose Financial Statements:

- | | | |
|----|---|-------------|
| 1. | Type of auditors' report issued on the general purpose financial statements. | Unqualified |
| 2. | Material noncompliance related to the financial statements. | Yes |
| 3. | Internal control over financial reporting: | |
| | 1. Material weaknesses identified | Yes |
| | 2. Significant deficiencies identified that are not considered to be material weaknesses. | Yes |

Federal Awards:

- | | | |
|----|--|-----------|
| 4. | Type of auditors' report issued on compliance with major federal programs. | Qualified |
| 5. | Internal control over major programs: | |
| | 1. Material weaknesses identified? | Yes |
| | 2. Significant deficiencies that are not considered to be material weaknesses | No |
| 6. | Any audit findings reported as required by Section __.510(a) of OMB Circular A-133? | Yes |
| 7. | Federal programs identified as major programs: | |
| | a. CFDA #16.580 U.S. Department of Justice
Edward Byrne State & Local Law Enforcement | |
| | b. CFDA #16.710 U.S. Department of Justice
COPS Universal Hiring Grant | |
| | c. CFDA #16.738 U.S. Department of Justice
COPS Technology | |
| | d. CFDA #20.500 U.S. Department of Transportation
Federal Transit Administration Grant | |
| | e. CFDA #20.507 U.S. Department of Transportation
Federal Transit Formula Grant | |
| | f. CFDA #93.575 U.S. Department of Health and Human Services
Child Care Development Block Grant | |
| | g. CFDA #97.004 U.S. Department of Homeland Security
Mississippi. Emergency Management Agency | |
| 8. | Dollar threshold used to distinguish between type A and B programs. | \$675,125 |
| 9. | The City of Jackson qualified as a low-risk auditee. | No |

Schedule of Findings and Questioned Costs - Continued

Section 2: Findings Relating to the Financial Statements Audit

2006-1 Municipal Court

Ineffective Controls Over Traffic Tickets Issued

Statement of Condition

We determined there is no procedure to account for all issued tickets processed after the tickets are returned to Traffic and Court Services. This finding was communicated to the City in the prior examination and no corrective action has been taken.

Criteria

Appropriate controls should be in place to account for all tickets issued to ensure that issued tickets are input into the ticket system or otherwise accounted for.

Cause of Condition

Lack of procedures for accounting for issued and returned tickets.

Effect of Condition

Tickets could be issued and never recorded in the system.

Auditors' Recommendation

Management should develop procedures to ensure all tickets are returned promptly after issuance and properly recorded.

2006-2 Water, Sewer and Sanitation Billing and Revenue Accounting

Ineffective Disaster Recovery Plan

Statement of Condition

The Utility Management System (hardware) was down for 45 days in 2005. The Water and Sewer Department, for all practical purposes, was shut down. They were able to accept payments but were unable to post them. They were unable to read meters and to process sales. This condition resulted from the lack of an effective disaster recovery policy. This finding was communicated to the City in the prior examination. We understand that a backup unit for the system has been purchased with daily backups being taken off site. However, given the significance of this application to the City's financial condition and the antiquated nature of the present system, a complete written disaster plan is needed.

Criteria

Established procedures should be in place to recover from a major system failure to prevent loss of data continuity of operations.

Schedule of Findings and Questioned Costs - Continued

Cause of Condition

The lack of an effective and comprehensive disaster recovery plan prevented the City from posting receipts and sales upon the shutdown of their primary system.

Effect of Condition

The lack of an adequate recovery plan on the City's water, sewer and sanitation billing procedures could result in material losses in revenues to the City in the event of another failure.

Auditors' Recommendation

The Water and Sewer Department, as well as all of the other departments at the City should have in place an effective disaster recovery plan to prevent business disruption whether caused by an internal problem or a natural disaster.

Lack of Reconciliation of Account Balances and Recording of Allowance for Doubtful Accounts

Statement of Condition

There are procedures in place to reconcile customer accounts receivable transactions in the water/sewer/sanitation billing system to amounts recorded in the City's general ledger. Additionally, no procedure exists for periodic review and determination of the appropriate allowance for doubtful accounts to be recorded so as to state the net customer accounts receivable balances at realizable value in accordance with generally accepted accounting principles.

Criteria

Established procedures should be in place to determine that the account balances in the billing system are in agreement with the general ledger balances and that adequate provision has been made for uncollectible accounts.

Cause of Condition

Adequate personnel resources have not been devoted to performing necessary procedures.

Effect of Condition

Water/sewer/sanitation accounts receivable are materially misstated in the general ledger.

Auditors' Recommendation

The responsibility for reconciling the accounts and developing the appropriate allowance for uncollectible accounts should be assigned to a City employee. The reconciliation procedure may require significant software changes to affect accurate reconciliations in this area. The reconciliation should be done monthly and the provision for uncollectible accounts should be adjusted at least quarterly.

Schedule of Findings and Questioned Costs - Continued

2006-3 Information Technology Security

Statement of Condition

The City should improve its controls over information technology. Various issues were discovered that place the City at risk for network outages and security breaches, as well as critical system failures. This finding was communicated to the City in the prior examination and no corrective action has been taken.

Criteria

Appropriate consideration should be given to risk analysis related to failures of the information technology. Plans should be in place to protect the City and allow for timely recovery if disasters or equipment failure occur.

Cause of Condition

Lack of attention to critical planning in the information technology area.

Effect of Condition

A failure of critical applications could limit the ability of the City to operate for an extended period of time such as what happened to the City's Water/Sewer/Sanitation billing applications in 2005. The Water/Sewer/Sanitation billing program is highly vulnerable to additional failures.

Auditors' Recommendation

The City should undertake a comprehensive review of its Information Technology System. Such a review should include placing a high priority on replacement of the Water/Sewer/Sanitation billing application programs. The deficiencies are discussed in more detail in a separate letter to the City.

2006-4 Financial Record Maintenance Procedures

Statement of Condition

The City's procedures do not include account review and reconciliations in a number of significant account balances and transactions classes. This finding was communicated to the City in the prior examination and no corrective action has been taken. Additionally, the City does not have an adequate system for accounting for its land, buildings and infrastructure records.

Criteria

Appropriate accounting procedures should exist to check the accuracy and internal integrity of information in the accounting system in order to provide the City with the ability to prepare accurate and timely financial reports.

Cause of Condition

Adequate personnel resources have not been devoted to performing necessary procedures.

Schedule of Findings and Questioned Costs – Continued

Effect of Condition

Significant errors can occur in the accounting process and not detected in a timely manner. Our audit revealed that material adjustments were required in cash balances, accounts receivable, water/sewer/sanitation accounts and fixed assets that were not detected by City employees in the course of performing their accounting duties. Such errors, if uncorrected, can result in the financial statements being materially misstated. In addition, asset records for the City's land, buildings and infrastructure are being maintained on electronic spreadsheets which do not provide adequate detail of amounts contained therein.

Auditors' Recommendation

We recommend that the City assign the responsibility for performing periodic account review and reconciliations of significant asset and liability accounts to appropriately trained employees. The procedures should include standards for documentation of work performed as well as documentation that the work has been reviewed by supervisory personnel. Additionally, the fixed assets records should be improved by incorporating the records into ledger system.

2006-5 Inadequate Design of Internal Control Over the Preparation of Financial Statements

Statement of Condition

The City does not have established procedures to ensure that its external financial statements are free from material errors. As a result, it was necessary for the auditor to propose a number of revisions to the footnotes to the financial statements to enable the disclosures to be in accordance with generally accepted accounting principles as well as to identify accounts and balances where material adjustment were required.

Criteria

The City's procedures related to preparation of external financial statement should ensure that the statements are prepared in accordance with generally accepted accounting principles such that there is not greater than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected.

Cause of Condition

Adequate personnel resources have not been devoted to performing necessary procedures.

Effect of Condition

The City's financial statements could be materially misstated and the misstatements would not be detected by established internal controls.

Auditors' Recommendation

We recommend that the City consider hiring additional personnel who have adequate training and experience in preparation of financial statements in accordance with generally acceptable accounting principles. Additionally, internal control procedures should be implemented to ensure that the financial statements are free from material error or misstatement, such as a process of review by a second party, preparation of a disclosure checklist and other similar procedures.

Schedule of Findings and Questioned Costs – Continued

2006-6 Untimely Completion and Submission of the Single Audit

Statement of Condition

The Single Audit of the City for the year ended September 30, 2006 was not completed within the stipulated required nine (9) month period after the City's fiscal year end.

Criteria

The Single Audit Act Amendments of 1996 and Office of Management and Budget Circular A-133 require that governments receiving more than \$500,000 in Federal financial assistance must obtain and submit a single audit within nine (9) months of the close of the government's fiscal year end.

Cause of Condition

Delays in the performance of the single audit were due to untimely preparation of required accounting records due to significant turnover of accounting and administrative staff..

Effect of Condition

The City is heavily dependent on Federal financial assistance in a number of areas of operation. Federal program funding may be withheld or terminated due to noncompliance with the audit requirement.

Auditors' Recommendation

We recommend that the City take necessary steps to ensure that grant records are maintained on a current basis and available for audit to guard against future delays in completion of the required audit..

Section 3: Major Federal Awards Program Findings and Questioned Costs

2006-7 Grants Management Procedures

Applicable to All Federal Financial Assistance Grants

Statement of Condition

The City's procedures for administration of grants do not provide for appropriate oversight and monitoring of a major area of the City's financial transactions.

Criteria

Effective control and accountability must be maintained for all grant and subgrant cash, real and personal property, and other assets. Grantees and subgrantees must adequately safeguard all such property and must assure that it is used solely for authorized purposes. Grantees are responsible for managing the day-to-day operations of grant and subgrant supported activities. Grantees must monitor grant and subgrant supported activities to assure compliance with applicable federal requirements, and that performance goals are being achieved. Grantee monitoring must cover each program, function or activity. (Source: HUD Grants Administration Common Rule, paragraphs 85.20 and 85.40)

Schedule of Findings and Questioned Costs – Continued

Cause of Condition

The grants administration is highly decentralized, with each department being responsible for all facets of grants administration.

Effect of Condition

The City might not comply with significant grant conditions resulting in large amounts of grants funds being required to be returned to granting agencies. As an example of this lack of effective oversight, our audit determined that a significant grants administration department was unable to produce records supporting grant expenditures in a timely manner. Although the department was able to update its records to provide appropriate support for the affected grants, the lack of an adequate oversight and monitoring system allowed this condition to exist for a considerable period of time.

Auditors' Recommendation

We recommend the City adopt appropriate monitoring of its grants administration to provide effective oversight. Such oversight should ensure that grants administration personnel are appropriately trained and grants records and reports are subjected to review procedures to provide reasonable assurance of compliance with grant requirements.

2006-8 Non-timely Preparation and Filing of Required Federal Reports

Grants Affected:

**CFDA # 16.710 U.S. Department of Justice
COPS Universal Hiring Grant**
**CFDA # 20.500 U.S. Department of Transportation
Federal Transit Administration Grant**
**CFDA # 20.507 U. S. Department of Transportation
Federal Transit Formula Grant**
**CFDA # 97.004 U.S. Department of Homeland Security
FEMA Disaster Recovery Grant**

Statement of Condition

The City did not file the required Financial Status Reports and Performance Reports for each grant applicable to the fiscal year ended September 30, 2006 on a timely basis.

Criteria

The grant agreements for these programs require preparation and submission of financial status reports and performance reports on specified dates during the fiscal year.

Cause of Condition

Adequate personnel resources have not been devoted to performing necessary procedures.

Effect of Condition

Non-compliance with grant reporting requirements might result in withholding of funds and suspension of grant funding for the affected programs.

Schedule of Findings and Questioned Costs – Continued

Auditors' Recommendation

We recommend that City management take necessary actions to ensure that grant reports are prepared and submitted on a timely basis.



CORRECTIVE ACTION PLAN

08/31/07

The City of Jackson respectfully submits the following corrective action plan for the year ended September 30, 2006.

Name and address of independent public accounting firm: Bruno & Tervalon LLP, CPAs and Smith, Turner & Reeves, 200 E. Capitol Street, Suite 100, Jackson MS 39201
Audit period: Year Ended September 30, 2006

The findings from the September 30, 2006 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule, Section 2 and Section 3 of the schedule, Summary of Audit Results.

2. FINDINGS – FINANCIAL STATEMENT AUDIT

Finding No. 2006-1 MUNICIPAL COURT

Ineffective Controls Over Traffic Tickets Issued

Recommendation: The auditors' recommend management should develop procedures to ensure all tickets are returned promptly after issuance and properly recorded.

Action Taken: The City will develop procedures to ensure all tickets are returned promptly after issuance and properly recorded.

Finding No. 2006-2 WATER, SEWER AND SANITATION BILLING AND REVENUE ACCOUNTING

Ineffective Disaster Recovery Plan

Recommendation: The auditors' recommend the Water and Sewer Department, as well as all of the other departments at the City should have in place an effective disaster recovery plan to prevent business disruption whether caused by an internal problem or a natural disaster.

Action Taken: The City is in the process of implementing a disaster recovery plan for Water/Sewer as well as other departmental systems.

Lack of Reconciliation of Account Balances and Recording of Allowance for Doubtful Accounts

Recommendation: The auditors' recommend the responsibility for reconciling the accounts and developing the appropriate allowance for uncollectible accounts should be assigned to a City employee. The reconciliation procedure may require significant software changes to affect accurate reconciliations in this area. The reconciliation should be done monthly and the provision for uncollectible accounts should be adjusted at least quarterly.

Action Taken: The City will develop procedures for reconciling account balances and recording Allowance for Doubtful Accounts.

Finding No. 2006-3 INFORMATION TECHNOLOGY SECURITY

Recommendation: The auditors' recommend the City should undertake a comprehensive review of its Information Technology System. Such a review should include placing a high priority on replacement of the Water/Sewer/Sanitation billing application programs. The deficiencies are discussed in more detail in a separate letter to the City.

Action Taken: The City is in the process of reviewing Request for Proposals (RFP) for a Water/Sewer/Sanitation system.

Finding No. 2006-4 FINANCIAL RECORD MAINTENANCE PROCEDURES

Recommendation: The auditors' recommend City assign the responsibility for performing periodic account review and reconciliations of significant asset and liability accounts to appropriately trained employees. The procedures should include standards for documentation of work performed as well as documentation that the work has been reviewed by supervisory personnel. Additionally, the fixed assets records should be improved by incorporating the records into ledger system.

Action Taken: The City will assign appropriate staff to evaluate accounts and fixed assets.

Finding No. 2006-5 INADEQUATE DESIGN OF INTERNAL CONTROL OVER THE PREPARATION OF FINANCIAL STATEMENTS

Recommendation: The auditors' recommend the City consider hiring additional personnel who have adequate training and experience in preparation of financial statements in accordance with generally acceptable accounting principles. Additionally, internal control procedures should be implemented to ensure that the financial statements are free from material error or misstatement, such a process of review by a second party, preparation of a disclosure checklist and other similar procedures.

Action Taken: The City will discuss and evaluate the preparation process with all parties involved (internally and externally).

Finding No. 2006-6 UNTIMELY COMPLETION AND SUBMISSION OF THE SINGLE AUDIT

Recommendation: The auditors' recommend the City take necessary steps to ensure that grant records are maintained on a current basis and available for audit to guard against future delays in completion of the required audit.

Action Taken: The City will discuss and evaluate the preparation process with all parties involved (internally and externally).

3. FINDINGS – MAJOR FEDERAL AWARDS PROGRAM FINDINGS AND QUESTIONED COSTS

Finding No. 2006-7 GRANTS MANAGEMENT PROCEDURES

APPLICABLE TO ALL FEDERAL FINANCIAL ASSISTANCE GRANTS

Recommendation: The auditors' recommend the City adopt appropriate monitoring of its grant administration to provide effective oversight. Such oversight should ensure that grants administration personnel are appropriately trained and grants records and reports are subjected to review procedures to provide reasonable assurance of compliance with grant requirements.

Action Taken: The City will implement policies and procedures through its External Funding Division.

Finding No. 2006-8 NON-TIMELY PREPARATION AND FILING OF REQUIRED FEDERAL REPORTS

GRANTS AFFECTED:

**CFDA# 16.710 U.S. DEPARTMENT OF JUSTICE
COPS UNIVERSAL HIRING GRANT**

**CFDA# 20.500 U.S. DEPARTMENT OF TRANSPORTATION
FEDERAL TRANSIT ADMINISTRATION GRANT**

**CFDA# 20.507 U.S. DEPARTMENT OF TRANSPORTATION
FEDERAL TRANSIT ADMINISTRATION GRANT**

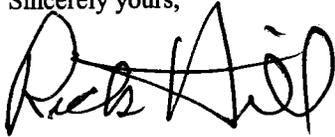
**CFDA# 97.004 U.S. DEPARTMENT OF HOMELAND SECURITY
FEMA DISASTER RECOVERY GRANT**

Recommendation: The auditors' recommend the City management take necessary actions to ensure that grant reports are prepared and submitted on a timely basis.

Action Taken: The City will implement policies and procedures through its External Funding Division.

If the U. S. Department of Housing and Urban Development has questions regarding this plan, please call me at (601) 960-1097.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Rick Hill", written in a cursive style.

Rick H. Hill,
Director of Administration